

JULY 28  
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# BUSINESS WEEK



PEACEMAKER — Senator Wagner (center) with union leaders Anderson and Osborn in Portland, Oregon, moves toward mediation of the longshoremen's strike.

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# Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—Shriveling drought furnishes the somber backdrop for the labor melodrama.

The Weather Bureau says this is the most extensive drought ever known. Only the upper Mississippi and Ohio valleys have been partially spared by the parching heat which has swept Nebraska, Missouri, southern Iowa, Kansas, and all but the cotton belt of Oklahoma. Food and feed crops in these areas are ruined. A large part of the country is a cinder.

In some places, the dividing line between favorable and unfavorable conditions is sharply drawn. The northern part of Iowa is doing well, with pastures improving rapidly, minor crops flourishing, and corn in fine condition. In southern Iowa, the situation is desperate, with hope for winter feed nearly gone, water supplies exhausted, and no place from which to haul. There is no prospect of corn for grain and poor chance even for fodder. Southern Iowa conditions are typical for most other sections between the Mississippi River and the Rockies. All crops except cotton are burning up. Pastures are practically gone and even trees are dying on the great plains.

## Strikers Stab Farmers

The strike epidemic still blankets Washington's thinking. The Chicago stockyards strike, leaving cattle to die and shutting off shipments of farmers to whom a single day means the difference between some salvage and complete loss of herds, closed Secretary Wallace's mouth on bitter words.

Officials who glibly said a week ago that the San Francisco general strike had set the labor movement back 10 years now feel that they were not exaggerating. Sralemates elsewhere on the labor front did not augur serenity, but contrasted favorably with the heat of last week's excitement over San Francisco.

## Lumber the Only Bargain

Reduction in lumber prices apparently is the only bargain that the Federal Housing Administration will have to offer. Enthusiastic pledges of cooperation by other industries do not include price concessions. The railroads insist good humoredly they are going to raise rates, not cut them. Any shading of building wage scales will be local. Unit costs are not regarded as a significant factor in the

## THIS WEEK

*The Great Drought, somber backdrop for the labor melodrama.*

*The famous "American standard of living," as seen under a glass.*

*Congress, it leaks out, did a useful job in improving jurisprudence.*

home repair program, but may discourage writing 80% mortgages on home building later.

## Union Jurisdiction Fights

Jurisdiction of craft codes, like the electrical contracting, mimeographing, etc., over work of those crafts in plants and offices of other industries has raised a veritable storm of protest to NRA. The issue was first raised months ago, but has become increasingly serious. The Institute of Steel Construction has refused flatly to follow its code and its code authority declines to function, following an order which puts their erecting branch under the building contractors' code and transfers that work from open to closed shop domination. A test will be made by the Institute, following NRA reply to the formal protest. The automobile industry is making a fight on the electrical contractor code authority over their electricians. MAPI early filed a general protest for the heavy machinery industries on the electrical contractors' provision and has urged all members to take up the battle in their fields.

## Court Procedure Improved

Washington lawyers who have fought for 15 years to get an amendment to the federal judicial code allowing for "declaratory judgments" discovered this week that their bill was passed in the final Congressional rush. The new act, No. 343, authorizes judges to issue statements on petition defining the law, rights of litigants thereunder, and applicability to the case in hand. Such declarations

"shall have force and effect of a final judgment or decree and be reviewable as such." The practice is common in England, is hailed as a great contribution to jurisprudence.

## Unemployment Insurance

Roper's Business Advisory and Planning Council takes its first setp in promised greater usefulness to government relations with industry by sending 400 code authorities a questionnaire asking opinion on unemployment insurance, in line with Roosevelt's social legislation program message of June 29. The council plans to form its own policy on the matter based on replies of code authorities and business men whose discussion the questionnaire will stimulate.

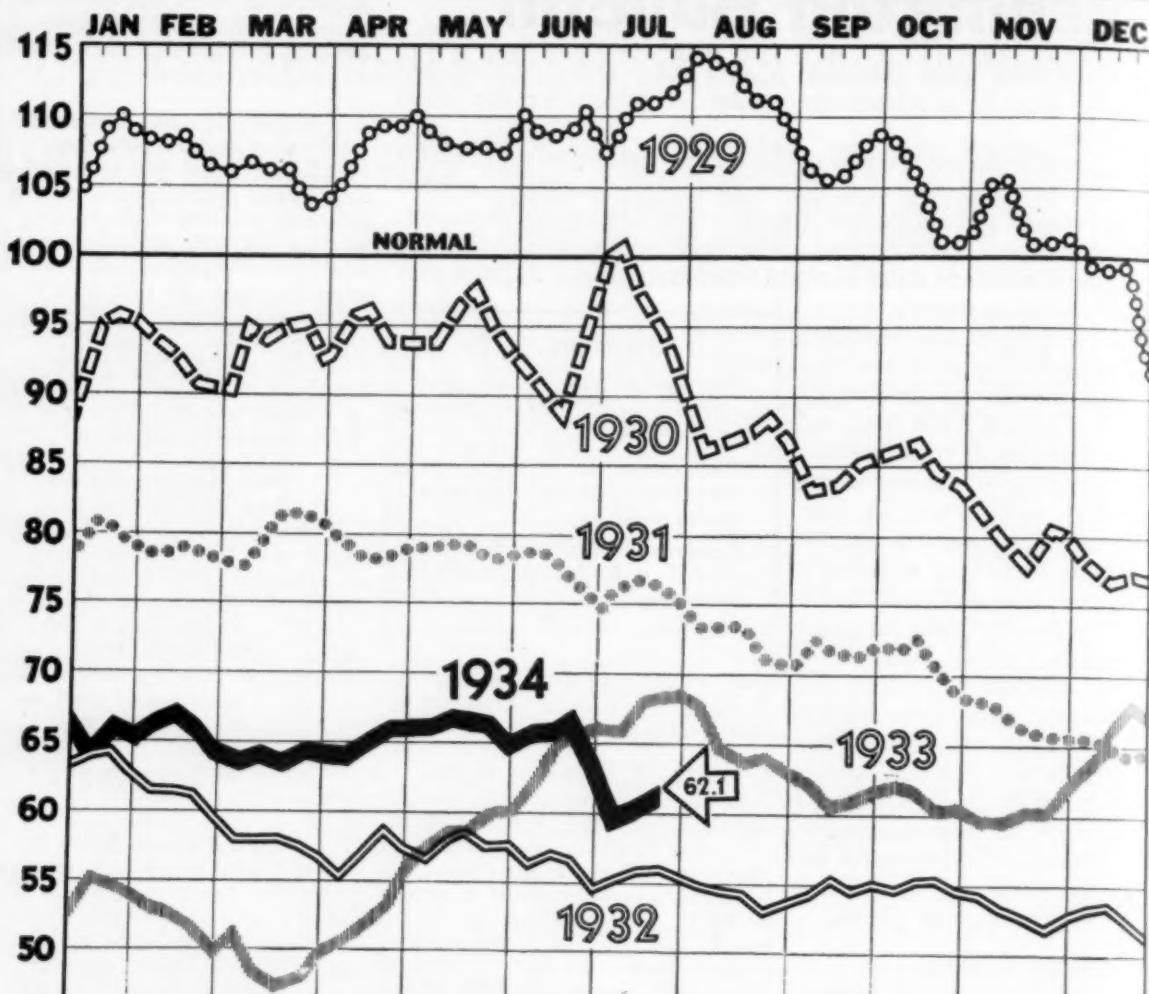
## The American Home

The Real Property Inventory, now complete for 59 of the 64 cities surveyed, shows 16% of residence units overcrowded, 17% in need of major repairs, 45% in need of minor repairs, and 2½% unfit for human habitation. Details of the condition of living of American citizens have shocked Washington. Ten percent of the homes are without running water, 20% without indoor water closets. Cities surveyed were carefully selected to give a cross-section of American life.

## Capital Goods Revival

The capital goods industries problem which has loomed big in Washington's eyes since the beginning of the depression is to be subject to a carefully planned drive for relief. The basic principle, however, is that recovery must be on different lines than following the 1921 depression, when availability of credit inspired companies to re-equip because they had confidence in early recovery. Highest interpreting economists in the government hold this psychology impossible of inspiration now, and the drive is to be to create consumer demand, especially in "durable consumer goods" like housing, automobiles, refrigerators, etc., which in turn as they move out will force makers of these and other goods that will move with them to modernize and re-equip in order to be able to meet the demand economically and profitably. The response to the housing program is the key here and Washington is much gratified with the reception and prospects of success of this master project. It is to be noted that the philosophy follows closely on the so-called Deane plan, whose protagonist, Albert L. Deane, President of General Motors Holding Corp. on leave of absence as Deputy of the Housing Administration, now sits close to the highest authorities in Washington.





## BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week *62.1	Preceding Week *61.0	Year Ago 68.6	Average 1929-33 81.6
<b>PRODUCTION</b>				
* Steel Ingot Operation (% of capacity)	27.7	28.8	55	52
* Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	\$5,162	\$4,893	\$3,676	\$13,426
* Bituminous Coal (daily average 1,000 tons)	*987	1,024	1,161	1,179
* Electric Power (millions K.W.H.)	1,064	1,648	1,654	1,625
<b>TRADE</b>				
Total Carloadings (daily average, 1,000 cars)	100	104	109	130
* Miscellaneous & L.C.L. Carloadings (daily average 1,000 cars)	64	67	69	84
* Check Payments (outside N. Y. City, millions)	\$3,511	\$3,300	\$3,342	\$4,545
* Money in Circulation (daily average, millions)	\$5,342	\$5,367	\$5,364	\$5,038
<b>PRICES (Average for the Week)</b>				
Wheat (No. 2, hard winter, Kansas City, bu.)	\$ .96	\$ .90	\$1.06	\$ .81
Cotton (middling, New York, lb.)	\$1.30	\$1.32	\$1.04	\$1.16
Iron and Steel (STEEL, composite, ton)	\$34.19	\$34.23	\$30.02	\$32.06
Copper (electrolytic, f.o.b. refinery, lb.)	\$0.88	\$0.88	\$0.88	\$1.00
All Commodities (Fisher's Index, 1926 = 100)	78.1	77.9	70.4	76.6
<b>FINANCE</b>				
Federal Reserve Credit Outstanding (daily average, millions)	\$2,467	\$2,471	\$2,197	\$1,595
Loans and Investments, Federal Reserve rep't'g member banks (millions)	\$17,757	\$17,751	\$16,766	
* Commercial Loans, Federal Reserve reporting member banks (millions)	\$4,439	\$4,453	\$4,790	
Security Loans, Federal Reserve reporting member banks (millions)	\$3,522	\$3,553	\$3,864	
Brokers' Loans, N. Y. Federal Reserve rep't'g member banks (millions)	\$1,031	\$1,059	\$967	\$2,357
Stock Prices (average 100 stocks, Herald Tribune)	\$97.59	\$99.97	\$99.50	\$131.87
Bond Prices (Dow, Jones, average 40 bonds)	\$95.12	\$95.37	\$87.90	\$89.15
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	3.3%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1-1%	1-1%	1 1/2%	3.0%
Business Failures (Dun and Bradstreet, number)	234	211	366	452

\* Preliminary † Revised ★ Factor in Business Week Index



# The Business Outlook

WITH the failure of the San Francisco general strike, some improvement in the general business situation and labor situation is apparent not only on the West Coast, but throughout the country. This betterment is in the face of the various labor disputes still pending, and the probability of their continuance for the rest of the year. It shows up even despite the disaster of the drought, which is bound to hurt business. Yet the seasonal summer slump is not nearly as great as some authorities had anticipated. Though many buyers had already accumulated stocks on hand to cover immediate requirements, and now are awaiting developments, others have been in the market for the current and quarterly needs despite present uncertainty.

The decline in June employment and payrolls under May is in the main accounted for by the various strikes and labor difficulties. Steel demand so far this month is better than observers in the industry had expected. They had been anticipating a sharp slump. Building construction awards so far this month were far above expectations.

## Who's Buying Steel

Steel operations declined slightly under the previous week. Demand is holding up pretty well, but no sharp gains are looked for. The automobile and container industries are taking the bulk of the output, while railroads, chief users of the heavier products, are now out of the picture with the completion of most of the rail and railroad equipment program. Speeding up of PWA projects held up by red tape would give fresh hope to the industry, which was dampened by the retardation of various large projects on the Coast when the strike prevented the free passage of steel. The drought will hurt steel, too, reducing the farmer's purchases, and sorely diminishing tin plate requirements for can making.

## Rotating Employment

While some concerns, as General Motors and Chrysler, have placed orders the past week for their quarterly needs, much of the current steel business consists of purchases of small miscellaneous tonnages of special specifications, to round out the equipment of firms that had accumulated stocks. While the industry is marking time during the summer months, some of the steel companies are instituting a policy of rotating employment.

## 6 Months of Motor Cars

The automobile industry is maintaining fair levels of production, though no sharp pickup is to be expected until new models are launched.

Final figures of the Department of Commerce place the production total for June at 321,956 passenger cars and trucks in the United States and Canada, a 25% gain above June last year though an 8.5% decline under May, bringing the 6-month total for this year 75% above the same period last year. Indications now point to a total of 275,000 cars for July.

Building construction contracts awarded for the first 15 days in July present the brightest spot in the industrial picture, a total of \$70 millions comparing very favorably with the total of \$127 millions for the entire month of June and \$83 millions in July, 1933. The daily rate of construction gained 29% above June, nearly doubled that of July, 1933.

## Industry Builds Plants

This spurt is accounted for by construction for non-residential purposes, consisting in particular of contracts for large industrial plants throughout the country. The total of \$42 millions for the first 11 business days already tops the total for the entire month of July last year, which stood at \$40 millions, while June showed a total of \$43 millions. The daily rate gained 129% and 146% respectively above last month and July, 1933.

Residential construction makes the poorest showing, with its total of barely \$9 millions for the first half of July and on a daily basis declines 21% and 11% under the preceding month and a year ago respectively. Public works and utilities construction maintains the large gains above a year ago but the daily rate shows a decline of 22% under June.

## Strikes Shrink Payrolls

June employment and payroll figures showed a decline under May which was expected, particularly in view of the longshoremen's strike on the Pacific Coast plus the various other labor stoppages throughout the country. With the exception of April and May of this year, employment is still

at the highest level since 1930 and payrolls are the highest since 1931. Losses in employment in the manufacturing industries were partly offset by gains in most of the non-manufacturing and service industries. Food products and petroleum refining, aircraft and car-building and locomotives showed the largest increases above May. The latter two groups showed gains as a result of the large PWA projects. Transportation, lumber, textiles, leather and rubber industries showed the largest declines.

## Carloadings Decrease

Daily production of bituminous coal for the week ending July 14 declined for the second consecutive week and total carloadings for this week fall below 1933 for the second time. This is partly to be accounted for by the strike situation and it was about this time last year that loadings were maintained at a fairly high level. The spread between the two years was further widened. Total loadings declined 7.8% under the same week last year while miscellaneous and l.c.l. declined 6.6%. It is expected that the week ending July 21 will show a slight increase above this week.

## Chain Sales Gain

Chain-store sales as reported by the New York Federal Reserve District continue to gain above last year for this district, the total being 9.5% higher than a year ago. Ten-cent and variety and candy chains showed the largest increases. *Business Week* wishes to correct a statement made in these columns last week to the effect that department store sales were 9% higher in June than in May. This should have read that June sales were 9% higher than in June, 1933.

For the week ending July 21, electric power production regained the loss of the preceding week and showed a gain of .6% above the preceding year. The West Central and Pacific states showed the largest gains, New England the greatest losses.

## Commodities Reach a High

Wholesale commodity prices, according to the U. S. Department of Labor, achieved the highest level since April, 1931. At 74.6 (1926 = 100), they represent a gain of 1% above May and 15% above June last year. Farm and food products registered the largest gains while motor vehicles and iron and steel products showed declines. Raw materials as a whole advanced 3.5%, semi-manufactured products declined approximately 1%, and finished products gained 1%. Since the low of 59.8 reached in February, 1933, the gain in all wholesale commodity prices has reached 25%.

# A sudden demand promptly met!



Bell System Teletypewriter Service fits the special needs of concerns in widely differing industries. Here is how it met an unusual situation for the Owens-Illinois Glass Company, as described by Mr. F. J. Solon, General Sales Manager:

"A sudden nation-wide demand for quick delivery of millions of bottles swept into our offices with the legalization of 3.2% beer. This involved co-ordination of instructions between Toledo headquarters and 51 branch sales offices and factories. We already had two private line teletypewriter circuits connecting many of our offices, and we quickly installed two more.

"In addition we had teletypewriter exchange service at 30 more offices. Representatives at points not included used Long Distance to the nearest point on the teletypewriter system, from which the messages were teletyped to destination. We frankly admit that but for these facilities, it would have been impossible to meet the situation without considerable delay and customer dissatisfaction."

Like many other concerns, Owens-Illinois uses teletypewriters daily in supervising plant activities; making personal contact with customers; assuring quick deliveries. Bell System Teletypewriter Service is being used profitably by small companies as well as large ones. Your local Bell Telephone Office will gladly give you full information about it.

**BELL SYSTEM  
TELETYPEWRITER  
SERVICE**



JULY 28, 1934

## Drought Strikes Home

**Creeping, cumulative effects of a rainless year suddenly are seen as a disaster of first magnitude, bigger than fire, earthquake, or flood, profoundly changing the long-range agricultural policy of the nation.**

DROUGHT impressed itself on the nation this week as a disaster of the first magnitude.

Unlike earthquakes, floods, or fires, drought does not strike with dramatic suddenness. It is a creeping death. Its effects are dispersed widely. No community is suddenly destroyed, with quick appeal to the imagination. Even today, no one man grasps the whole picture of what has happened to the nation. But Washington perhaps comes nearest understanding what has happened. Thousands of field agents have been pouring in reports, and this week governmental concern reached a climax.

### Relief Is Not Enough

Bold relief measures were taken to meet the emergency. But that was not the most significant development. Much more important was the shift of the whole agricultural policy of the Administration. It was recognized that this year's drought is not a casual affair, likely to be remedied by good rainfall next year, but that it represents fundamental climatic change, or rather, it demonstrates Nature's response to man's tampering with delicately adjusted natural balances—and no emergency measures will suffice to solve the problem.

Long-range planning is demanded. And long-range planning has begun. Indeed, the whole emphasis of AAA is likely to shift from crop control to land conservation.

Scientists in government employ have been predicting the disaster for years. Nobody listened. Today, they get attention. They utter the solemn warning that millions of acres must be abandoned to trees and to grass if we are not to have a great desert in the plains, like the desert of Central Asia—and for the same reasons.

### Windbreaks Planned

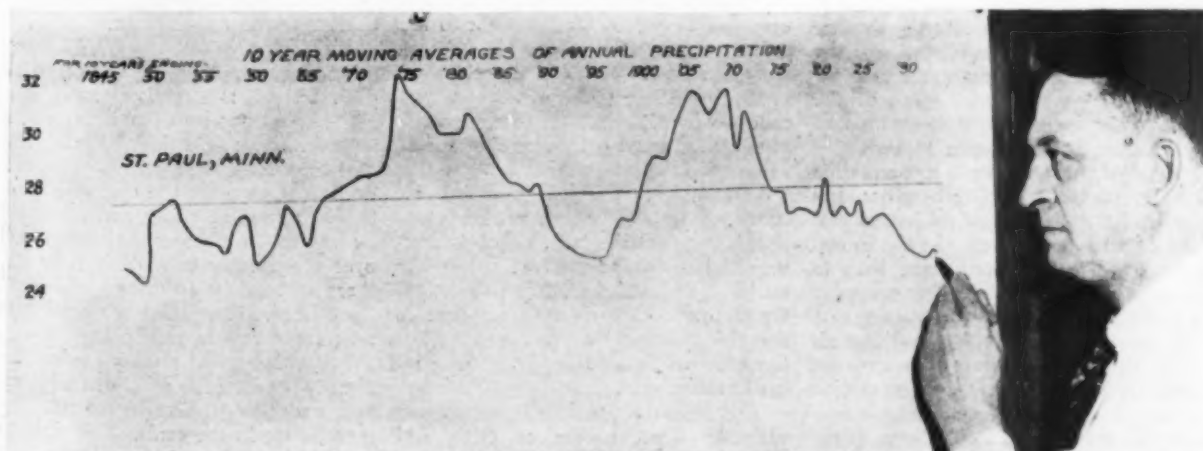
Planting a "shelter belt" of 100 parallel windbreaks of native trees over a strip 100 miles wide from the Canadian border to the Texas Panhandle is one answer of the "planned economy" to the drought. It has been described in Washington as "reconquering of the plains" which, won to civilization nearly a century ago, have been all but taken back and converted to desert by the drought. It is frankly stated, in private, that another year of drought and the rich area between the Mississippi and the Rocky Mountains will be virtually untillable and up to 4 million people will ultimately have to be moved

to other regions and the agricultural economy of the country become entirely changed.

The reports in the past few weeks of effects duplicating the devastation of the drought in the wheat lands with a similar terrible blight of the corn and cattle country have stirred Washington to a supreme effort. The President has set aside \$15 millions to start the planting of trees, has authorized the expenditure of \$10 millions of this at once. Nurseries are to be set out, the trees prepared for planting and by 1936 the whole program costing \$75 millions will be under way. Work relief for farmers and reclaiming of 20 million acres will come from planting about 2 million acres in treelands.

### Osage Orange Hedges Gone

These forest windbreaks are expected to stop the blowing away of the topsoil which the removal of the buffalo grass of Indian days has exposed. The plan is not new, has been successfully followed for years in Europe. The plan is to make the windbreaks of native trees set out in blocks 7 rods wide covering 14 acres out of each square mile of 640 acres. Farmers will continue to cultivate the land between, immensely increased in value by the selection of their farms for the big project. The program will replace on the grand scale the osage orange hedges which once served as windbreaks and game refuges through all this region but which were cut out wholesale during the war to gain a few more square feet of farmland to raise \$2 wheat, and whose disappearance is blamed in many regions



**DRIEST YEAR EVER**—Rainfall trends in St. Paul, Minn., over the past 90 years are shown by this United States Weather Bureau graph, which indicates precipitation in that city has lately reached the lowest point yet recorded.



for some of the devastation of the droughts and hot winds this year.

The move of the government to encourage, now, the replanting of the grass areas of the West for fodder for starving cattle has its place in the great plan. The buffalo grass, now virtually extinct, held the rich topsoil of the prairies in place for untold centuries but, eaten over or ploughed up, this restraint has disappeared. Scientists of the Department of Agriculture are scouring the world today for hardy grasses to plant in regions which must go back to grass if the prairies are to be held back from the desert, for the shelter belt alone will not solve the problem.

#### Plan to Restore Humus

Another policy is being proposed to Secretary Wallace and the land planners who work under Dr. Tolley. This has the merit of accomplishing agricultural relief without pauperizing, giving a permanent land development, costing as little as any of the current schemes. It gets away from the idea of abolishing plenty by destroying crops.

The idea is simple. Uncle Sam would pay farmers cash benefits for putting one-fourth to one-third of their tillable land into green manure. Alfalfa, clover, other legumes would be used. This would be plowed under to restore the necessary organic material to the soil. Only thus can the Western plains lands be held in permanently croppable condition. Without such a policy, more dust storms are inevitable. Eminent scientists of the government say the central United States will become as desert-like as central China. Almost any cost for prevention of such a disaster is justified.

This policy would take out of commercial crop production large areas of agricultural land. The percentage should be small in western Minnesota, Iowa, and the territory shortly to the west of that. Those acreages have not yet lost all their humus, can with occasional green manuring be restored. Further west discriminating selection will be necessary, more frequent crops to plow under will be required. Some of the land cannot even then be so restored.

#### Black Lands Turn Brown

West of the black loam soil areas the land is gradually turning browner, less fertile, less stable, more subject to erosion of wind and water. In the brown earth areas only restoring the land to range will be adequate. Any cropping is probably impractical for more than a few years. Some of this land lost all of its top soil this spring. Conservative estimates are that more than 100 million acres suffered an average surface depletion of more than an inch. Some of the territory (millions of acres) lost 8 or 10 inches, some of it 12 inches of top soil.



**STARVATION ON THE HOOF**—Reduced to little more than hide and bones, these cattle at Gregory, N. D., are examples of what the drought has done in the Middle West, and a prophecy of future meat shortage.

Yellow and brown subsoils in this territory cannot be cropped commercially. They cannot even be restored to range use without drastic treatment. Agronomists hardly know how to attack this problem efficiently. The best guess is that generous use of phosphate fertilizer will permit growing of grass cover enough to hold the soil in place.

Moderate but not excessive grazing would then be feasible. Gradually, as the grass cover is improved, requiring several fertilizer applications, a return to good pasturage would be feasible.

Agricultural officials have not yet passed on these plans. They are giving them study, hoping to evolve a program permitting legislation next winter.

## Food vs. Feed

**There's food enough despite drought, because of carry-over, but the shortage of feed is driving cattle to market in hordes, which means a meat shortage later.**

GOVERNMENT statistical services measured the damage of the drought to the growing crops with reasonable accuracy from month to month, and the nation promptly became aware of a grain crop failure—aware, also, that carryover surpluses mean there will be no shortage of food.

Less widely heralded, and in fact concealed by the present market situation is the feed shortage, which is forcing Malthusian adjustments upon the cattle, hog, and poultry population. Grain prices have risen in response to the havoc wrought by the drought, but livestock prices, on the whole, have remained easy.

The seeming paradox is simply explained. Great hordes of cattle and swine have been rushed to market when growers had no more feed for them; stockyards and slaughter houses have

done a record business. There is a present abundance of meat. The shortage will develop later.

The change may not show up this year. Indeed, slaughter of cattle, calves, and lambs may be even larger in the next 6 months than during the last half of 1933. Hog slaughter, however, may decline. One thing the epicure is likely to discover—fine steaks and roasts will be high, with a disproportionate spread over the cheaper cuts. This is because there will not be so many well-fed cattle offered. Many that are coming in now are mere skin and bones.

Milk, dairy, and poultry products are already showing the effect of feed shortage, and rising prices in the next few months are in the cards. This situation will be reversed in 1935, when the sharp reduction in meat supply, especially pork, will be felt, while milk, dairy,

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and poultry production may regain pre-drought momentum.

From the July 1 crop estimate, it now appears there will be a shortage of 10% of grain feeds for the country as a whole, varying from a 22% shortage in the Western region to a 5% surplus in the South Atlantic region. Hay, pasture, and forage crops are 30% short for the country as a whole, with the West North Central states having sufficient for barely half of their animal population.

Slaughter of cattle has been larger every month this year than for the corresponding period last year, and in June

was the largest on record for the month. The increase in federally-inspected cattle killed in 6 months was 1 million.

Prices of hogs and corn have been out of line for several months. Hog prices were too low to justify corn feeding, hence the 1933 fall pig crop moved to market early. The June pig survey indicates that hog slaughter after Oct. 1 will be the smallest in the last 20 years. This may augur a sharp advance in hog prices, and if the rise should outrun corn prices, heavy feeding may be expected, thus bringing to the market high quality pork to replace the first quality beef.

## Strikes Hurt A. F. of L.

**Conservative labor leaders are being shoved aside by young radicals—which worries Washington.**

WASHINGTON—Strikes cost American workmen \$5 millions in lost pay during June; the July bill, with San Francisco, Minneapolis, and a dozen other cities adding their toll together, will be staggering. It will also add materially to the 15 million work days lost through strikes in the first 6 months of the year. The "sure sign of emergence from a depression"—strikes—is not helping to turn the indices of prosperity upward.

Meanwhile, Washington is worried, fretting that it can do no more than it has done, although taking considerable credit for the calling off of the San Francisco general strike through its

various emissaries on the ground. It is worried, too, about the effect on the A. F. of L., as the conservative union organization, for it sees power being wrested from the old leaders and put in the hands of young and inexperienced men such as those who precipitated the San Francisco general strike without any idea of what it would lead to or of its predestined failure. It is common opinion in Washington that the A. F. of L. has lost ground as a result of the San Francisco fiasco, and dire predictions are being made as to what this means in a "turn to the left" in labor control. For Washington definitely does not want the

leadership of the labor movement to get into radical hands. And the way to prevent that is, according to most official thinking, to keep the A. F. of L. in the saddle; there is much pain whenever industrial leaders are heard to speak bitterly of the old-line unions.

Of perhaps more definite interest is the proof, in the San Francisco strike situation, that the government is almost powerless to stop the flood of strikes, except when the President himself is around.

The new National Labor Relations Board—and the Longshoremen's Labor Board sitting in San Francisco—have no power to mediate, only to arbitrate if invited by both sides. Their right to investigate is indeed clear, and this is the only crowbar they have to pry a strike situation open to government help.

## Coast Is Steadier

**Labor men go back to their jobs in San Francisco; employers meet them half way.**

SAN FRANCISCO (By Special Correspondent) — Chastened and sobered up after an emotional spree that exploded in the general strike, labor is returning to work eagerly. For their part, employers are taking men back in good spirit. The Industrial Association issued public reassurance that it has no intention of conducting a campaign against union labor; its only intention is to restore the port's traffic. For proof, the association withdrew its own trucks and is using the union teamsters' trucks, which are, by the way, even moving goods from ships unloaded by strike-breakers.

It seems pretty clear that the conservative union leaders couldn't stave off the general strike, but were able to get the men to make an orderly retreat, to save labor from the complete rout which would have been the result had Mayor Rossi yielded to the great pressure of business organizations demanding martial law.

In Portland and Seattle, things are not going so well. Labor still is nursing rancor stirred up by battles with the police, and is not so much shaken by the collapse of the San Francisco affair as would seem natural. Negotiations still go forward, however, under Senator Wagner. It is estimated 50,000 are out of work because they are strikers or because strikers have destroyed their jobs.

As for the marine workers of different trades, whose dispute started the whole show, they are striking still, but show an increasing willingness to settle—though the radical wing is fighting tooth and nail to prevent a settlement.



**PORTLAND'S LABOR BOARD OF STRATEGY**—Empowered by a majority of Portland's local unions to appoint a time for a general strike, this committee, with an eye on the San Francisco fiasco, decided to hold off while Senator Wagner of New York and other federal mediators attempted a solution.

# High Labor Court

**Asserting full authority except over steel and Pacific longshoremen, the National Labor Relations Board carefully charts its course.**

THE National Labor Relations Board, successor to the old National Labor Board, frankly says it is slow in getting under way, first clearing up the less difficult problems. It expects soon to get its docket cleared. Moving slowly, it refuses to commit itself, regards its position as that of a high court of industrial relations, whose rulings should not be discussed beforehand. It considers that it has full authority over all labor problems except in the steel industry and in the longshoremen's strike on the Pacific Coast, for which two mediation boards were already named when the national board was created. If future boards for specific industries are created they will probably be offshoots of the NLRB.

It is the intention to retain some type of regional or local board, but to eliminate the difficulties which were encountered by the 20 regional boards named by the NLB. NLB found that absolutely impartial members were hard to get locally, and the boards ran into complaints from manufacturers that competition from some other region was forcing them to the actions of which labor complained. The tendency of the NLRB is now distinctly toward boards for various industries, so that the men who seek to clear up complaints in the garment industry in New York, for instance, will also have jurisdiction, if needed, in the garment industry in Chicago. This setup follows the successful arrangements in the bituminous coal industry and the cotton textile field—the latter is now having its big test in the Alabama textile strike.

## New Board Jurisdiction

The new NLRB will take prompt jurisdiction where cases of violation of Article 7-a or of the codes is involved. Labor disputes not involving 7-a will be left to the industrial boards, where created, and to the compliance division of NRA.

The large body of decisions made by the old National Labor Board will be followed, as a matter of general precedent, but the NLRB is not a successor to the NLB in the sense that the new Securities Commission is for instance successor to the Federal Trade Commission, bound to take over its securities decisions, and its adoption of any of the NLB rulings is purely voluntary.

The great debate between the old NLB and NRA was the former's insistence that in collective bargaining, the representatives chosen by the majority should speak for all, while NRA held

for proportional representation of minorities. Chairman Lloyd Garrison of the new NLRB smilingly declines to commit his board on this vital question. The decision will be made when a case involving it comes up, he says.

## Back to Work

**Harriman Hosiery Mills reopen, flying the Blue Eagle—but maybe the case isn't closed even yet.**

"SHOUTING and singing," dispatches said, 400 men and women marched back to work in the Harriman (Tenn.) Hosiery Mills on Monday. NRA felt that another thorn had been pulled from its flesh—but wasn't certain it might not be stabbed back in again, for William Green, president of the A.F. of L., denounced the settlement and launched an attack upon it. NRA has been criticized for everything it has done in the case—damned for throwing people out of work, damned for sending them back to their jobs. So NRA wouldn't be surprised to see the settlement upset again.

The trouble started last year when 200 union workers quit, charging violation of Sec. 7-a, in refusal of the com-

pany to deal with the union. After investigation, the Blue Eagle was withdrawn, whereupon all the tradesmen of the town of Harriman turned in their Blue Eagles in protest.

The mill got along very well until the state of Pennsylvania refused to award a contract for a large order of hose for relief purposes, insisting on the Blue Eagle. Then the company applied for restoration of the Blue Eagle on the ground that otherwise the plant would have to close down. This was refused and the mills closed, throwing nearly 600 people out of employment.

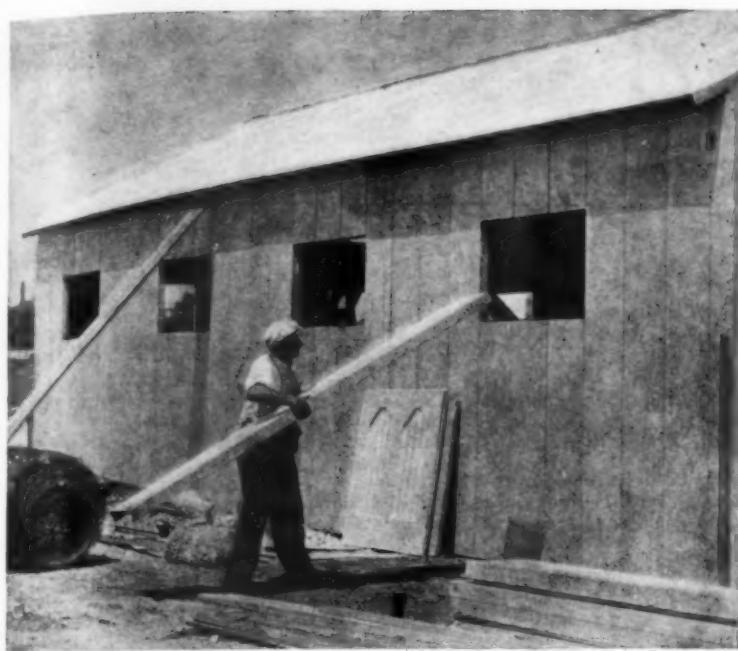
Negotiations have been going on between NRA and the Harriman Mills ever since. Major George Berry, former president of the Pressmen's Union and now division administrator at NRA, tried his hand, produced 15 points on which agreement was obtained on all but 2. Mr. Glancy then took hold, had 13 points, and again 2 which did not click. Difficulties were chiefly with the number of strikers guaranteed jobs and the demand that workers from 25 miles away and the second to fifth workers in a family be discharged and their places given to strikers.

The final settlement included arrangements to put 25 strikers back to work within 60 days, and that thereafter 3 out of every 4 people hired shall be strikers, and the strikers have 30 days to accept the terms. Meanwhile, the mills got back their Blue Eagle and reopened last Monday. Article 7-a is reiterated. The unions claim this is a one-sided settlement. NRA has put it entirely on Mr. Glancy, and General Johnson could, apparently, repudiate it.



**NEW POWER BOARD**—To unify a national power policy and make electricity more broadly available at cheaper rates, was the President's announced aim when he named the National Power Policy Committee. Here are 8 of the 10 committeemen (seated, left to right): Basil Manly; Secretary of Interior Harold L. Ickes, chairman; Robert E. Healy. Standing: Edward F. Markham, T. W. Norcross, Mae Schnurr, TVA Director David E. Lilienthal, and Morris L. Cooke.





FRAMELESS FARM BUILDING—Insulated unit panels interlock to make walls, roof, and floor of this new type steel building for farm and commercial use.

## Truck Customs

**The Kansas "port-of-entry" system for commercial vehicles not only collects ton-mile taxes but provides some real information on freight movement.**

ACCUSTOMED by now to the privacy of a nudist camp, the railroads are at last to get a peep, maybe a blushing one, into the everyday life of their not-so-ancient enemy, the truckers. While most states, at the request of the National Planning Board (sponsored by PWA, though state boards are closely affiliated with FERA) are studying possibilities of transportation coordination, there is a certain factual background in Kansas which should make its report meaty, if not rare. A highway "port-of-entry" system for this landlocked state has not only doubled the collections of ton-mile taxes from common carriers (\$112,406 for the first quarter) but is now providing the state planning board with invaluable information, heretofore unavailable, about bus and truck operations.

Sixty-five ports were established last January on principal highways at state lines. They are checking over 50,000 vehicles monthly. A driver, in order to get a clearance sticker for his windshield, must show (1) where his vehicle is registered, (2) origin and destination of shipment, (3) highways over which he will travel and leave the state, (4) satisfactory liability insurance, (5) a manifest showing the precise nature

of his cargo, and (6) weight. His vehicle is being inspected at the same time for brakes, lights, and general road-worthiness. If it is registered in Kansas a tax of  $\frac{1}{2}$  mill per ton mile is assessed. Those not electing to register pay  $1\frac{1}{2}$ ¢ to 3¢ a ton mile, depending on gross weight.

Such a detailed report of 50,000 motor transports, segregating their cargoes into 300 classifications, and tracing each one, should provide Mr. Eastman with some light summer reading. He will be informed, for example, how many tons of tires are being trucked into Kansas from Akron, across what states they travelled, what part of the load will go to dealers in Topeka, Wichita, or to sparsely settled Kiowa County, and what routes were covered getting there. To complete this first comprehensive picture of highway transportation will require some 3 million tabulating machine operations. Maps will be made from this survey to show how closely trucking parallels the rails.

Figures just made public by the Kansas Corporation Commission show that 117,613 motor trucks, including 69,901 "foreign" vehicles, were checked crossing the Kansas line in the first quarter of this year.

Of this total, the greatest number were through trucks; only 27,000-odd carried the 71,000 tons of interstate freight consigned to points within the state. Some measure of the trucks' inroads on the rails is gained by comparing this 71,000 tons with the 5,000 tons brought in over the Santa Fe. A generous estimate for the total incoming interstate rail freight would be about 15,000 tons.

This report alone will provide a good show, but, if present plans materialize, the extra added attraction will be the presentation of a set of like figures from the traffic handled by Class One railroads in Kansas. Such a comparison, long awaited by railroads, bond buyers, truckers and public will settle many arguments and might even change a few tariffs.

## Steel Barn

**A single, standardized, interlocking panel unit makes walls, floor, and roof, needs no frame.**

AT the south end of the Chicago Fair, some prize goats are comfortably chewing their cuds in a new steel barn which demonstrates a simplified steel construction method for farm buildings, commercial buildings, where economy is important.

The new method was developed by the Steelox Co., of Chicago, in cooperation with the American Rolling Mill Co., the Celotex Co., and Sears, Roebuck. There are no rafters, studs, or joists. A single unit is used for floors, walls, partitions, and the roof.

This unit is a channel-shaped panel, 16 in. wide, 3 in. deep, with sides flanged to interlock, ready-insulated with an inch of fiber board held in place with a special adhesive. Where interior walls are to be finished, the panels have a furring strip attached to the flange. Panels may be erected locked or smooth side out, may be made deeper or heavier where additional strength is needed. The barn at the Fair uses 20-gauge galvanized Armco iron.

Construction is simple; the panels easily handled by ordinary labor without special equipment. On a channel iron bolted to the foundation, corner panels are placed first. The walls go up quickly, short panels being used where doors and windows come. Joints are calked with a compound.

With the usual small parts eliminated, the Steelox panel becomes a commodity which may be stocked by the regular sources of supply of the building industry. A farmer may pick out his plan, buy the required number of units and fittings, put up his own fire-, vermin- and rot-proof building which may be altered or even moved without waste.



**READING THE PRESIDENT'S MAIL**—The hundreds of letters daily sent to President Roosevelt asking for relief are answered by Dr. Jasper J. Mayer, chief of the correspondence division, Federal Emergency Relief Administration, and the stenographers who surround him here. Only 2% of the letters are said to be useless; most of them seek advice or help which can be given.

## NRA Rebels Show Fight

**Insurrection against codes breaks out on many fronts at once. One whole industry shows its defiance.**

NRA is facing rebellion. Simultaneously, several individual concerns, a regional group of a newly codified industry, and even one whole industry have elected within the last few days to defy NRA, challenge its authority.

One of the most serious and intricate snarls in which NRA ever has found itself is precipitated by refusal of the American Institute of Steel Construction, Inc., to accept the code for the structural steel and iron fabricating industry because General Johnson made his order of approval subject to certain changes that are not acceptable.

After 9 months of negotiations the industry and NRA deputies completed a code that was acceptable to both. When it finally emerged from the Administrator's "goldfish bowl," the document that made 21 pages of printed type was loaded down with 3 printed pages of exceptions, nullifications, limitations, and important changes in the wage rates, procedure, etc., plus an arbitrary ruling by which one important division of the industry would be put under the construction code.

### Who Did It?

Just how these barnacles got attached to the code in that goldfish bowl no one confesses to know. Some suspect organized labor influence.

In politely sending the code back to NRA, the Institute points out that as now altered, the code does not represent the industry. It refuses to act as the code authority, states that it considers itself a free agent without a code. Members particularly resist deletion of a section that gave the industry the right

by a vote of two-thirds to terminate the code if economic or governmental conditions made such action necessary.

Thus NRA will have to decide whether to disown the code entirely and ask for a new deal, or retreat, or cross swords with one of the country's most important industries. A 15-day stay, just issued, gives both sides a chance to think it over.

### Fight Over Wages

No less ominous is the situation that confronts NRA in Baltimore. L. Greif & Sons, Inc., manufacturer of men's clothing, denied NRA charges of code violations, refused to surrender the Blue Eagle, has just secured an order from U. S. District Court, restraining the NRA from enforcing an order to pay certain rates of wages above the code minimum.

July 6, NRA directed a hearing at which to determine whether the firm was entitled to certain exemptions, and directed that if no exemption was granted by the proper authorities within 2 weeks, the firm would have to hand part of its 4,000 employees back pay of \$100,000, or lose the right to sew the Blue Eagle label into its product.

While the order just issued is enforceable only in Maryland, cannot protect other of the company's 11 plants in Pennsylvania and Virginia, it is the first step in a challenge of the rights of NRA to fix wage rates above those that are stipulated as minimum in the code.

Similarly significant is the double-barrelled assault upon the price-fixing provisions in the code for the retail solid fuel (coal, to you) industry.

First was announcement of the Newtown Creek Coal & Coke Co. that it would stand on its constitutional rights to set its own selling prices, would refuse to charge \$3 to \$3.50 per ton for making delivery (as required by the code) when it could perform that service at a profit for \$2.50.

The Scranton & Lackawanna Coal Co. not merely challenged the right of Congress to rule or fix prices through NRA on intrastate business, but also obtained a court order directing the divisional code authority to show cause why it should not be enjoined from fixing prices.

The smoke of smouldering rebellion also is rising above the so-called Red Lion district of Pennsylvania (York County), the stronghold of cheap hand-made cigars. While numerous, these hand cigar makers found themselves outsmarted at code writing by the concerns which make cigars by machine. Now they assert that the code for the cigar manufacturing industry specifies wages that they cannot afford to pay and still sell their product at the long-established 2 for 5¢, 3 for 10¢, or 5¢ each prices. Therefore most of the factories in the district closed up when the code went into effect, and there is little chance of their reopening until some compromise has been reached.

### Tire Dealers Hostile

Chicago also has an NRA battle. Three tire companies are charged with having violated the price-fixing provisions of the NRA emergency order by quoting lower prices on unadvertised tires. In their reply the companies are attacking the constitutionality not only of the NIRA but also of the Illinois State Recovery Act. This case, to be heard by three judges July 31, may provide new ammunition for challengers of the whole Recovery Act.

A New York jewelry manufacturer

# Burroughs

**ELECTRIC CARRIAGE RETURN  
MAKES TOUCH TYPING COMPLETE**



A touch of this key returns the carriage and spaces the paper. The hands remain in the touch position—the typing rhythm is unbroken. Thus, carriage return becomes a part of touch typing instead of an interruption at the end of each line. The motor returns the carriage the full distance, or to an intermediate point. Shifting for capitals is also electric. The key touch, the size and shape of this new typewriter are like those of other Burroughs Standard Typewriters. Telephone the local Burroughs office for a complete demonstration, or write for descriptive folder.

Typewriter Division • BURROUGHS ADDING MACHINE COMPANY • Detroit, Michigan

## ELECTRIC CARRIAGE TYPEWRITER



has refused to pay a \$100 assessment of his code authority and refused to display the Blue Eagle. He asserts that neither the PRA nor any code was ever signed by any member of the firm, and proposes to fight through the courts.

However, NRA wins its victories, too. In Brooklyn, one foundry company sued 12 competitors to enjoin them from violating the cast iron soil pipe code by selling below cost. The presiding judge ruled that plaintiff could find remedy in equity, thus establishing the precedent that NRA may be aired in equity in a Federal District Court.

A federal judge for the Southern District of New York sustained the provisions of the silk code by which design piracy is taboo, and enjoined the defendant from further violations.

## Shingle Cartel

**The Blue Eagle lays a new egg with a European flavor. Canadian shingle makers limit exports.**

WHAT virtually amounts to an international cartel—under the wings of NRA—has been drawn up to divide the American red cedar shingle market between Canadian and American producers. Canadian producers agree to limit their exports to this country to 25% of our domestic consumption. Their average from 1920 to 1933 was 25.9%, but in 1932-33 it was 33% and in September last rose to 37%. The 25% average was reached as the result of discussion and bargaining, with considerable judicious pressure under Article 3-e of NIRA, which provides that embargoes or limitations may be put on foreign imports of any product which because of its lower cost abroad interferes with the workings of NIRA.

The Washington & Oregon Shingle Association made application for such quotas—red cedar shingles have no direct tariff protection—and under Article 3-e, the Federal Trade Commission was directed, on March 27 this year, to make a study of the situation. The report was made May 22, and following this favorable ruling, the cartel was set up voluntarily. It has been suggested in Washington that this method may work in many other cases, and fit in nicely with reciprocal tariff negotiations.

## Small Mills Thrive

**Federal Trade Commission finds the little Southern sawmill needs no sympathy.**

DARROW-MINDED reformers and investigating committees that are eager to champion the cause of small business, oppressed under the codes, will have

to stop using their favorite example, the Southern sawmills, because the Federal Trade Commission after exhaustive investigation sees no cause for sympathy.

Conducted at the request of NRA, the investigation embraced approximately 200 small mills located in 11 Southern states; some large mills, and wholesalers and retailers of lumber.

The report issued by FTC emphasizes that (1) with few exceptions small mills have benefited greatly from enforcement of the lumber code; (2) operating time and production of many have been increased; (3) minimum-cost protection on prices provided under the code has enabled operators to make up the higher labor costs resulting from the code; (4) price differentials established by code administrators have more frequently favored small mills and caused complaints from large operators.

The commission also studied the activities of the two important Southern lumber associations, the Southern Pine Association and Hardware Manufacturers' Institute; comments particularly on the fact that small operators are distinctly favored by some of their regulations.

A criticism is that the investigation was too superficial. It covered a large territory but a small number of units. It would be difficult to select 200 mills that would provide a fair cross-section of conditions, when there are 5,000-odd.



JOHN S. CLEMENT—President of Sandura Co., Philadelphia, named on the 3-man Industrial Appeals Board created by General Johnson to handle complaints of unfair code applications.

## Oil

**Price wars and hot oil are bringing price-fixing nearer.**

EPIDEMIC gas price wars and the pressure of hot oil production are forcing the Oil Administration closer and closer to price-fixing. Administrator Ickes may not admit it when that day arrives, but his Petroleum Administrative Board has no illusions.

The nimble administrator took a long step himself, this week, in authorizing the Planning & Coordination Committee to designate local committees to negotiate settlements in zones of hostility.

The oil administrator's move is in line with the recommendations of the Darrow Review Board (BIF—Jan 23 '34) but in failing to provide that the PAB fix minimum prices pending settlements in affected areas, he refused to go all the way.

### Minimum Prices Asked

It is reported that, independently of Mr. Ickes' action, the Planning & Coordination Committee has recommended that he unlimber his authority under the oil code to establish minimum prices for both crude oil and gasoline, where necessary to stabilize market conditions in immediate areas. Mr. Ickes apparently is waiting, however, to observe the effect of his recent maneuvers.

A complete revision of all hot oil regulations announced this week incorporates a new section of the criminal code, enacted by the last Congress just before adjourning, permitting assessment of a fine up to \$10,000 or imprisonment for a maximum of ten years for making false statements concerning any matter falling under the jurisdiction of any government agency.

Many East Texas operators whose business can hardly be described as an open book now have to open up and have plenty of chances to go wrong in the elaborate reports that they will be required to file. But any falsification of records must, of course, be proved against them. The only penalty heretofore has been a \$500 fine or imprisonment for not more than six months carried by NIRA. Mr. Ickes intimates that this risk was covered by the large profits from handling illegal oil.

### Moral Enforcement?

The Administrator has been running so close on the heels of the hot oil boys that the administrative agencies have not yet been able to catch up. It may be just a notion that he is leaning heavier on the moral effect of his wordy barrage than on actual enforcement of the measures adopted. The new oil tax regulations have not yet been issued from the Bureau of Internal Revenue. Mr. Ickes' plan to apply the quotas in commerce principle to crude supply still remains merely an official document.

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# NEW TRUCK TIRE PREVENTS BIG CAUSE OF SIDEWALL BREAKS



## Goodrich Invention Checks 80% of Premature Failures

**D**ON'T let tire delays eat into your profits! Avoid premature truck tire failures which often cause expensive delays, high repair bills and danger to truck, driver and cargo. Sidewall breaks cause 80% of these premature failures!

So Goodrich built a tire with Triple Protection against this "Failure Zone." Made the sidewall just as strong as the rest of the tire. Built into the heart of the tire positive 3-way protection against unwarranted blow-outs.

Not until this amazing Goodrich invention was announced was it ever possible to buy a truck tire with this extra protection. Now you can add months and extra miles to the life of your truck tires!

### TRIPLE PROTECTION IS FREE!

You pay nothing extra for this added protection. Goodrich Triple Protected Silvertowns cost not one penny more than other standard truck tires. Start saving now with these tires that laugh at the tough

jobs! Get deliveries through on time. Avoid accidents and repair bills. Cut your tire costs down to rock bottom. Phone your Goodrich truck tire dealer now.

### FREE! Valuable Book

A copy of the Silvertown Safety Manual for Truck Operators is yours for the asking. How to cut accidents. How to win free Safety Awards. Save money. Write Dept. T-119, The B. F. Goodrich Company, Akron, Ohio.



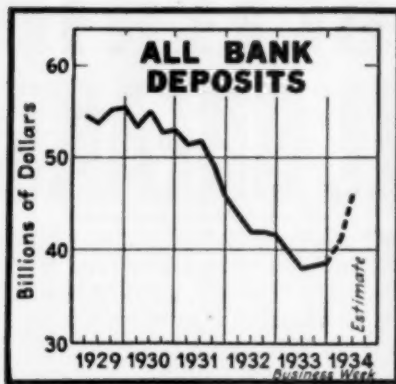
### MR. TRUCK OWNER—JUST LOOK AT THIS 3-WAY PROTECTION

- 1 PLYFLEX**—a new, tough, sturdy rubber material with greater resistance to stretch. A layer of Plyflex in the sidewall distributes stresses and strains—prevents ply separation—checks local weakness.
- 2 PLY-LOCK**—the new Goodrich way of locking the plies about the bead. Anchoring them in place. Positive protection against the short plies tearing loose above the bead.
- 3 100% FULL-FLOATING CORD**—Each cord is surrounded by rubber. With ordinary cross-woven fabric, when the cords touch each other, they rub—get hot—break. In Silvertowns, there are no cross-cords. No friction.

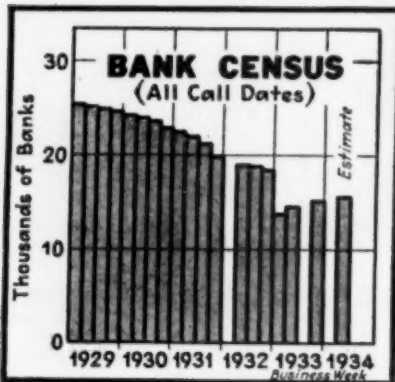


# Goodrich Triple Protected Silvertowns

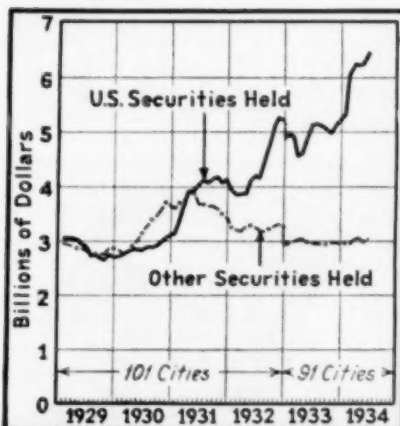
FOR TRUCKS AND BUSES



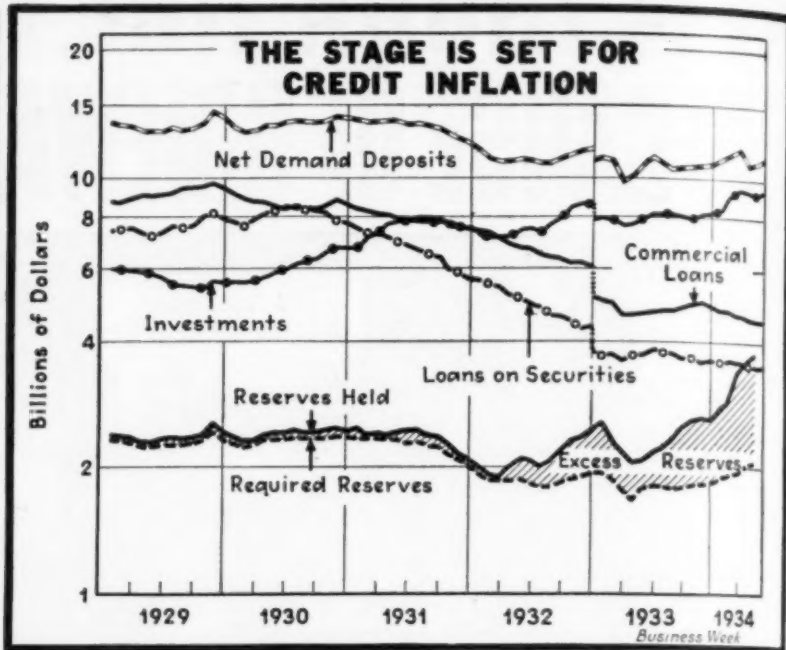
**DEPOSITORS' RETURN**—Money on deposit in all U. S. banks leaps upward when confidence is restored and insurance made effective. Rise also reflects operations of the Treasury Department.



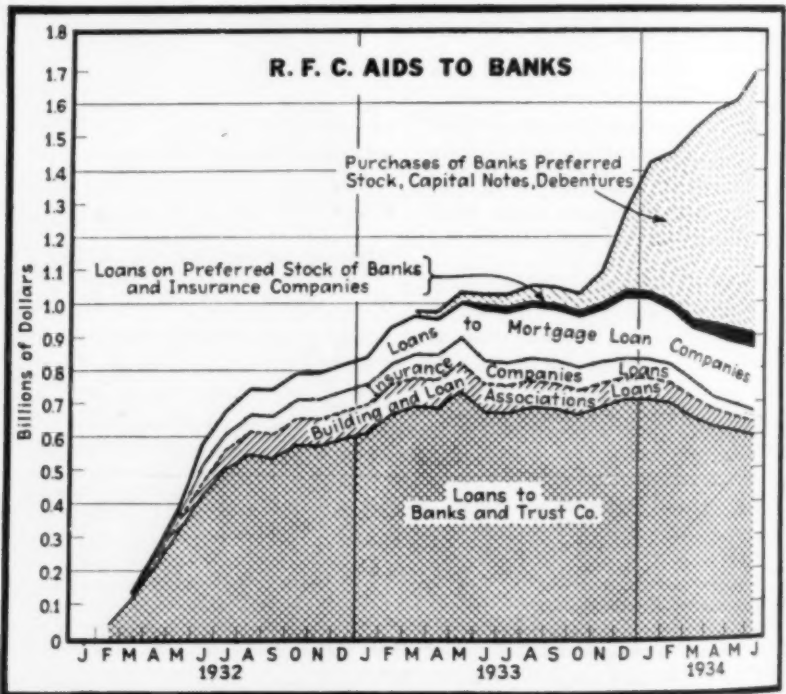
**BANK MORTALITY**—Banking institutions folded up by the thousands during the deflation, but since the low in the spring of 1933, the trend has been reversed. Fewer but stronger banks would be a good motto for the United States at any time.



**FINANCING THE TREASURY**—Leanings toward liquidity force a large share of the deposit gain of reporting member banks into U. S. Government securities. Other securities held show little if any increase during the past year.



**THE TREASURY CHIPS IN**—Federal operations work to life deposits, increase excess reserves, widen credit pyramid base. It is upon this base that a credit inflation might be built but is not. Top curves record changes in reporting member banks (101 cities in 1933—91 cities after); bottom curves show reserves held, required and excess for all member banks of the Federal Reserve System.



**RESCUE WORK**—RFC lifts a levee of loans and purchases to keep the banking system from being washed away by the deflation. Chart records amounts in various classes outstanding at end of month—disbursements less repayments. The steep rise in total RFC aids to financial institutions since October, 1933, is due entirely to its activities in purchasing preferred stock, etc., of banks. In all other divisions repayments this year have exceeded disbursements.

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# Auditing the New Deal

## 4. The Banks. Effect of emergency measures now can be laid against the yardstick of statistical results. Ultimate results of long-term policies can be forecast.

PRESIDENT ROOSEVELT was called upon to face the banking crisis before he raised his hand to take the oath of office. Confidence in the safety of our banks had been undermined. Deflation stresses were too much for a structure weakened in many spots by improper management, and state "holidays" had spread like a contagion throughout the country. The relatively few banks that remained open during the final days of the Hoover Administration were threatened with runs that endangered even the strongest of them.

A year's work has rebuilt public confidence in the banks. That primary objective has been attained. But the New Deal has stopped far short of creating the kind of banking system the country needs. Most disappointing—it did not seize a golden opportunity to force unification under the Federal Reserve. That must be done if banking is to be sound and healthy, and there may never again be as good a chance to do the job as there was in March, 1933.

### Good Effects

Meanwhile, the return of confidence generated by the New Deal has had these very definite effects:

Net demand and time deposits of all member banks stood at \$21.7 billions in April, 1933; rose to \$26 billions by April, 1934.

Reserves held by all member banks advanced from \$2 billions in April, 1933, to \$3.6 billions in April, 1934, and excess reserves from \$379 millions to \$1,541 millions during the same period.

The total number of all banks, which had dropped from 25,341 on March 27, 1929, to 14,530 on June 30, 1933, had gone back to 15,212 by Dec. 30, 1933, and probably stands a little higher at the present time.

Money in circulation, increased by hoarding to \$6.5 billions in February, 1933, dropped to \$5.3 billions by May, 1934.

### In Red Ink

On the other side of the ledger stand the equally definite facts that:

Loans to customers, the best measure of the banks' service to industry, and a good index of the state of business, had dropped from \$21.6 billions on June 30, 1930, to \$11.3 billions on June 30, 1933, and were only \$11.1 billions on Mar. 5, 1934. The banks instead of aiding recovery had become merely places for the safe-keeping of money.

Investments that were \$11.9 billions on June 30, 1933, had gone up to \$13.8 billions by Mar. 5, 1934, but this gain was almost entirely due to holdings of United States government securities which went from \$6.9 billions to \$8.7 billions during this same period. Despite the large increase in reserves, there was little investing of these funds in "other" securities.

### Public Psychology Changes

Behind these cold statistics lay a change in the psychology of the depositing public that was perhaps more a tribute to the Administration's political prowess than to its banking acumen. President Hoover was fully aware of the coming storm and started the National Credit Corporation to join the banks together in self-protection. When this umbrella proved too small he launched the RFC to stop deflation and to "bring into being a powerful organization with adequate resources, able to strengthen weaknesses that may develop in our credit, banking, and railroad structures." But even with the passage of the Glass-Steagall Amendment as a further prop, and a later widening of the RFC, the deflation was not checked, the psychology of the people was unchanged. The inability to change either of these two factors led to collapse on the eve of inauguration.

President Roosevelt, as his first important official act, made the famous national banking holiday proclamation Sunday, Mar. 5. By virtue of the Trad-

ing with the Enemy Act of 1917, he ordered all banking transactions suspended from Mar. 6 to 9 inclusive, a period later extended to Mar. 13. This step gained time to determine better the actual condition of the banks, to decide upon a course of action, to plan the needed legislation. Congress approved this method of handling the situation and even added to the powers of the chief executive by the Emergency Banking Act signed Mar. 9.

### The Holiday Appraised

After a hurried rechecking of the condition of the individual banks, all those presumably sound were given licenses to reopen progressively on Mar. 13, 14, and 15. Those that failed to pass the first test, and there were about 5,000, remained unlicensed and unopened, or operated only on a restricted basis. More careful later surveys resulted in the licensing of a considerable number of unlicensed banks and the suspension of the licenses of others that had been allowed to operate. From the standpoint of safety to the depositor, little was accomplished by the holiday. The checking was only a rough weeding out of the shakiest institutions. But the public, calmed by the President's radio talks, was in a mood to cooperate. The first step toward a returning confidence had been taken.

Inflation, a monetary rather than a banking measure, was more important than the holiday in building up the solidity of the banks during the early spring of 1933. The rise in the prices of commodities and securities restored value to collateral, turned many bad loans into good. And Congress was not idle. It worked hard to produce the Banking Act of 1933, signed by the President on June 16.

### Not a Roosevelt Measure

Senator Glass had prepared the main features of this legislation at least two years before its adoption. It was considered entirely too radical in the Hoover days and even its final passage last year was probably due more to the exposures developed by the Senate probe than to Administration pressure. Nevertheless, because of the praise given it by the President at the time of signing, it has come to be looked upon as a part of the New Deal. It was this bill that provided for deposit insurance, prohibited the payment of interest on demand deposits, completely separated commercial from investment banking, doubled the capital necessary for the organization of new national banks, limited the loans that a bank might make on security collateral and made many other technical changes in the body of our banking law.

The public was most directly affected by the Banking Act through the insurance of deposits. The Federal Deposit Insurance Corp., formed in accordance

## The Banker And The New Deal

Even the most uncompromising and unrelenting critics of the Administration concede that the Administration, confronted with a terrifying emergency on Inauguration Day, took effective steps to allay public panic, get the banks functioning again, and rebuild public confidence in them.

But the long-term policy has not reached down to fundamentals. A golden opportunity to give the country a unified, genuinely sound banking system was allowed to slip by. Political compromises, as so often before in our history, robbed the Glass-Steagall banking law of the real essentials of reform.

with its provisions, began, on Jan. 1, to insure deposits, under the so-called temporary plan, in all banks which had applied and were able to qualify. In order to bring as many banks as possible into the scheme, the requirements were fairly lenient and the RFC bolstered the resources of a large number of banks by purchasing nearly \$1 billion of their preferred stock and capital notes. The strong banks were persuaded to make the first sales of stock, so that when the weaker ones accepted help, their move would not be too obvious a confession. The temporary plan should have given way to the larger permanent plan on July 1, but its life was extended for a year by Congress in the closing days of the last session.

#### Past Efforts Failed

Insurance plans, tried in a number of the individual states, have all proven failures. They led invariably to bad banking, an over-extension of loans, a lack of discrimination on the part of depositors. Some bankers expect that the present plan will break down for the same causes and look with fear upon the unlimited assessments possible under the postponed permanent plan. This "blank check," they claim, will work to weaken strong banks in time of stress, drag down the good with the bad.

On the other hand, the experience of the past few years indicates the need of the depositor for protection. If the government makes it illegal even to whisper about the weakness of a bank, thereby cutting off the depositor's access to information, then the government should in some manner guard him from loss through failure. In an extreme form this argument could be applied retroactively to earlier losses and it was so applied in the many "pay-off" measures that appeared in Congress last session. The most prominent of these, the McLeod bill, was able to muster enough votes to force amendments to the insurance bill to authorize the RFC to make loans upon or purchase the assets of any bank closed after Dec. 31, 1929, and, to revise upward the size of deposit covered by insurance from \$2,500 to \$5,000.

#### Complete Control Needed

If the government is to accept this role of guardian of the public's deposits it should have at least a unified system which can be well supervised. Actually, federal control of the banks is far less direct than it is over the issuance or exchange of securities. New Deal authority over both member and non-member banks arises mainly from the loans and preferred stock purchases of the RFC and the interest of the FDIC in the condition of the individual banks. This form of control has been used at times to improve the accounting of assets, to limit the salaries of officers, to suggest changes in management.



**EXCHANGE COMMISSION AIDE**—David Saperstein, chief assistant to Ferdinand Pecora during the Senate stock exchange inquiry, will administer the Act's pool, syndicate, and price-plugging provisions for the Securities and Exchange Commission.

More covert control has been intimated, but interference, on the whole, has been less than feared by many bankers, less than hoped for by many reformers.

The emphasis placed upon regulating the markets for securities and the relatively slow progress made in reorganizing the banking system reflects the political-mindedness of the Administration. The people wanted Wall Street cleaned up, they wanted a safe place to deposit their money. These objectives have been attained. An alteration of the banking system is not being sought by the public, which believes that the failures were due to the depression alone.

This lack of interest plus the old arguments of decentralization and states rights may keep us from a uniform system for some time. Attempts to use the FDIC to compel all insured banks to join the Federal Reserve were parried by Representatives in the House who held out until the time within which non-member banks could receive the benefits of insurance was extended to July 1, 1937. At the same time, the drive against the Federal Reserve, strong a few months ago, is losing some of its force. Congress during the last session increased rather than reduced the powers of these "bankers' banks."

The larger bankers, theoretically at least, favor branch banking under a strict federal control. They look upon this as an alternative to socialized banking. But even socialized banking seems much less imminent than it did. The real danger to-day is that, lulled into a sense of security by deposit insurance and RFC loans, no move will be made to rebuild the system on a sounder basis. This remains one of the great tasks still to be accomplished and it may be that the experts who are busy studying credit problems for the Treasury Department this summer have already started to work on the task.

## Turn About

**Now big corporations demand statement of condition from depository banks.**

It used to be that banks sent questionnaires to clients. Now the process is reversed and bank customers are sending questionnaires to banks. General Motors Corp. is the latest to adopt the procedure.

GM's funds are deposited in banks from coast to coast and it periodically sends them copies of a form to be filled out and returned. This form requires more detailed information than is shown on the usual printed statements but does not ask for involved data.

General Motors (which is in the banking business itself through the National Bank of Detroit) has inaugurated this policy so that it may, at any time, make its own analysis of the status of its depository banks.

The GM questionnaire plan has been received sympathetically. In fact, many banks have voluntarily written long letters to the corporation giving considerably more data regarding their condition than the form requires.

Texas Corp., Columbia Gas & Electric, and American Telephone & Telegraph are other large companies which are seeking data in one form or another from banks.

## Delivery Sales


**Marshall Field's lets delivery boys try selling shirts and is astounded by results.**

DELIVERY boys from department stores traditionally say no more than, "Package, lady." So Chicago housewives were startled last week to hear Marshall Field's delivery boys recommend some men's shirts, to be on sale next day—a "dollar day" on State Street.

Result, 2½ times as many men's shirts sold in one day as on the best previous day in the store's venerable history. Di-

# A VALVE-IN-HEAD SIX COSTS LESS TO RUN always has—always will

**Chevrolet gives you six-cylinder economy at its best  
in the biggest, strongest truck in the low-price field  
—the lowest-priced Six on the market**

 The whole question was all settled so long ago that nearly all truck-users have come to take it for granted: *The only number of cylinders a truck can have, and still give satisfactory economy, is SIX!* No more. No less. With a Six, you neither pay the penalty of too many cylinders (and too much gas consumption) nor too few cylinders (and destructive vibration). And when the engine

is a "Blue-Flame" valve-in-head Six, like Chevrolet's, you get the maximum power and performance out of this maximum economy. Chevrolet is the lowest priced six-cylinder truck on the market—the lowest-priced truck with an overhead valve engine. It's *also* the lowest-priced truck that's *all truck throughout . . .* built of genuine truck parts to rugged truck standards and tested for long, dependable truck service.

CHEVROLET MOTOR COMPANY, DETROIT, MICHIGAN

*Compare Chevrolet's low delivered prices and easy G.M.A.C. terms. A General Motors Value*

## CHEVROLET SIX-CYLINDER TRUCKS



**Driven 99,000 miles,  
with an average cost  
per mile of \$.0234** (for  
gas, oil, repair parts,  
labor and insurance).  
That's the story of six-  
cylinder economy, as  
told by this Chevrolet  
Six sedan delivery,  
owned by Hage's Ice  
Cream and Dairy Prod-  
ucts, San Diego, Calif.



rect orders booked by the boys accounted for 25% of this volume; obviously they were indirectly responsible for many other sales.

It was the first attempt at sales solicitation by delivery boys. They were given a small commission and directed to solicit from regular customers only. The store was afraid there might be some resentment by customers, but hasn't had an unfavorable comment.

The direct solicitation was supported by a full page ad, "swatched" with a sample of the shirting fabric, urging housewives to feel, wash, iron it. The ad appeared in *Downtown Shopping News*, a free circulation (722,000) advertising medium patterned after a full-sized newspaper but devoted exclusively to ads of the several downtown stores which own and publish the sheet co-operatively.

1933, major items in the company's balance sheet were:

Total operating revenue.....	\$2,853,223
Fixed charges .....	391,438
Net income .....	591,483

By combining the last 2 figures and subtracting their total from gross revenue, operating expenses become \$1,870,302.

Assuming that the lower schedules to consumers (adjusted for the 10% surcharge which is to pay for the property) means a total reduction from the old rate of about 30%: A 30% subtraction from the 1933 gross revenue would cut that figure to \$1,997,257, which would leave only \$126,955 after the old operating expenses were taken out, or less than enough to cover fixed interest charges.

#### Reduced Expenses Foreseen

TVA retorters retort that operating and other expenses are not going to remain the same—they are going to be drastically cut. Tennessee Public Service was paying 5% on \$7 millions of bonds, or \$350,000 annually on this item alone; TVA will pay, say, 4% on the government's \$6 millions, or \$240,000. But instead of a sustained rate for bonds due in 1970, TVA's interest charge would theoretically diminish each year, disappearing entirely as the plant paid out.

Again, the largest item in the former \$1,870,302 total of operating cost was what the Tennessee Public Service paid sister companies for current. Say that the company formerly bought about 90 million kw.hr. annually for approximately \$900,000, or at the rate of 1¢ per kw.hr. TVA may be able to sell to the Knoxville ownership at the rate of 4 mills per kw.hr. At the old consumption this would be \$360,000 annually. Here would be a saving of \$540,000 which, added to the theoretical reduction of \$151,438 in fixed interest charges (\$391,438 minus \$240,000), makes a possible total saving of \$691,438—or more than enough to care for the \$600,000 annual capital outlay necessary to buy the plant in 10 years.

#### There Are Possibilities

However, TVA enthusiasts will exclaim, that is assuming there is no other cut from the old operating costs and no increase in the sales of power. Lower rates charged consumers are certain to boost consumption. And further savings may be made in operation (unless politics interferes) by elimination of higher salaried officials, reduction in taxes, weaning of the losing streetcar line, etc. The hardest-boiled utilities official has to admit that these combinations have great potentialities.

The above matters must also be pondered by the 13 northern Alabama communities which have agreed to take over the distribution lines and facilities bought by TVA from the Alabama

## Knoxville Compromise

### TVA finally acquires its first large city outlet, in a deal that saves face for everybody.

THE Tennessee Valley Authority moves forward with gathering momentum. In the week just passed it acquired the distributing and transmission system of Knoxville (first large city to take TVA power) and 27 adjacent East Tennessee communities. It also announced acceptance by all the 13 towns in northern Alabama of local distribution lines which will plug them in on cheap TVA power. Already TVA had taken over distribution lines in Alcorn County, Miss., under a plan whereby a local co-operative will ultimately pay for the property out of earnings.

Thus, gradually, TVA struggles to overcome its first great handicap—lack of outlets in the valley for the huge amount of current soon to be available from the tumbling waters of the Tennessee River and its tributary Clinch. The Knoxville trade, with its long bickerings, its numerous ultimatums, its hard-boiled statements for public consumption, reminds one of negotiations which mark commercial dealings among the heathen Chinese. And, like a good transaction of that sublime race, both factions emerge with faces saved.

#### Each Claims a Point

On one side was David Lilienthal, power director of TVA, on the other was Electric Bond & Share, through C. E. Groesbeck, chairman of National Power & Light Co., which controls the disputed Tennessee Public Service Co. The price finally agreed on for the Knoxville facilities of Tennessee Public Service was \$6,088,000. Mr. Lilienthal can boast that this is lower than the figure stubbornly demanded by the utility, that it did not include the unwanted transmission line between Waterville, N. C., and Kingsport, Tenn., nor the Knoxville street car line which is losing money. Mr. Groesbeck can show his stockholders that the price is \$800,000 above what TVA had solemnly named as its take-it-or-leave-it figure. Also that he is cashing in the Waterville-Kingsport line for \$1,292,000 from the American Gas & Electric Co.

Also that the street car line has a better chance for profits on the lower TVA power rate.

Thus into the clearing fog vanishes the threat of a duplicate transmission system for Knoxville and the counter threat of the utility to fight to the last ditch. Beyond question Mr. Groesbeck made himself a very good deal. Bondholders must turn in \$7 million 5's at 96½. The transaction is contingent upon the company's getting bondholders in line by Aug. 8. A stampede is more likely than a holdout, since 96½ is the issuing price of the securities; they slumped to 40 late last year. Nor does the transaction discredit Mr. Lilienthal, who harbors no desire to outsmart security holders.

#### City Must Buy

In addition to acceptance of TVA price by bondholders, the deal depends on agreement by Knoxville ultimately to take over the distribution system. Assurance has been given that this will be done. The bayonet on the end of the threat to duplicate the Knoxville system was a Public Works Administration loan to the city of \$2 millions and a grant of \$400,000.

TVA repeats that its real function is the production of cheap electricity and the education of communities in its use. But here it is deeper into the business of distribution. The Authority protests that this will only last until the community can buy the lines, denies the charge that TVA is becoming just another utilities holding company.

TVA will hand over the Knoxville system at its purchase price. On all its standard rates it will add a 10% surcharge to enable the city to pay. Thus, if the plan works out, Knoxville should in a few years own distributing facilities that are free of debt.

Will it pan out that way?

Using 1933 as a springboard into Tennessee Public Service statistics, the public utilities man finds some interesting problems to play on his slide rule. For the 12 months ending April 30,

# KEEN COMPETITION

THE station prices of a given grade of gasoline in any town are the same—even to a fraction of a cent—no matter from what distance it comes, or who is selling it.

Since this gasoline is shipped from numerous refineries, located at varying distances from this town, all refineries get different nets. These different nets show there is severe competition between refineries. No refinery, no matter how far from the market, can get more for its gasoline than this competition permits. The same is true of cane sugar, No. 1 wheat, or any standard product.

Since portland cement is a standard product as uniform as any given grade of gasoline, sugar, or wheat, buyers in any town or city will purchase it only from the cement plant that quotes the lowest delivered price.

The lowest delivered price offered by a cement plant tends to pull prices offered by all other plants down to its level. Unless some plant ventures to quote a lower price, this lowest price—as in the case of gasoline, sugar, or wheat—is the price below which no plant will go to get the business.

Since, almost without exception, all cement plants seeking business at a given point are located at varying distances from this point, and must pay varying freight charges—a heavy item of cost—different plants actually realize different amounts at the mill door, depending on their distance from the market. Although a dozen mills may be quoting the going delivered price, each of them is necessarily netting a different amount. This is competition.

Since each of these plants realizes an amount per barrel different from that obtained by any of the others, it is obvious that plants farther away must content themselves with lower nets than the net realized by the mill nearest the market.

The falling portland cement price curve between 1920 and 1932 shows how buyers have benefited, and is further evidence of keen competition. Competition is constant in every part of the country.

## THE CEMENT INSTITUTE

NEW YORK

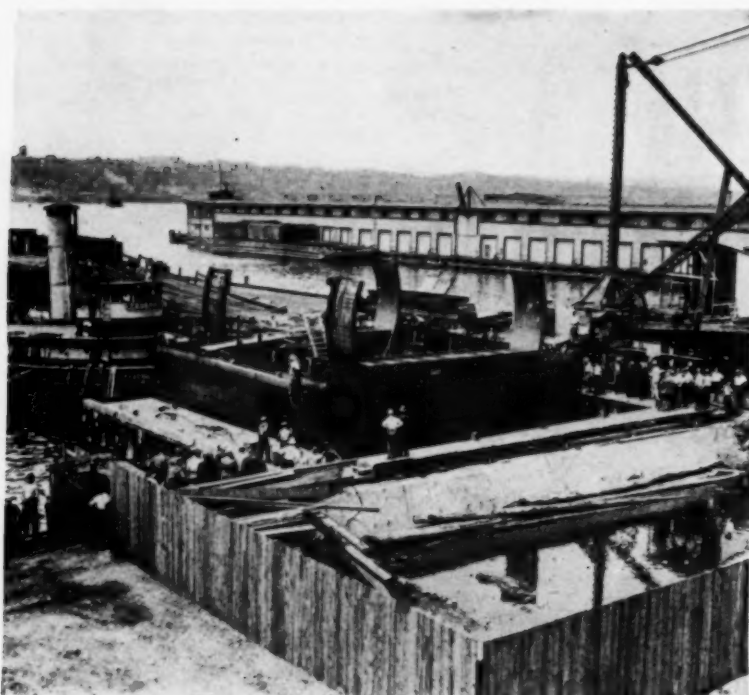
CHICAGO

KANSAS CITY

This is one of a series. The next advertisement will be "Buyers Get What They Want."  
Copies of previous advertisements will be sent on request.

# GOING FORWARD WITH CEMENT





**MID-MANHATTAN TUNNEL**—The job of lowering this 600-ton steel caisson, to be the Manhattan base for construction of the Hudson Midtown Tunnel (foot of West 39th Street), is getting under way. More steel plating will be added on top of the caisson as it is sunk to a 100-foot depth, when it will contain 1,300 tons of steel. The Port Authority is financing the tunnel with a \$37.5 million loan from PWA. It is expected to be completed in about 4 years.

Power Co. These communities will add a like surcharge of 10% to all regular TVA schedules in hopes of paying for the systems without resort to bonds or other debts. (They got a better break than Tupelo, which adds the surcharge to the industrial and commercial rates only.)

In the general optimism nobody seems

to worry about the order of the Alabama Public Service Commission requiring TVA to file with it rate schedules and otherwise submit to commission rulings on business within the state. It is a battle for the courts. The question is whether such an order can stand up against a corporation controlled wholly by the federal government.

## Cut-Price Cars

**Under the retail code, dealers can't boost used car allowances in the off season, but factories have found a way to cut new car prices where necessary.**

NRA codes have changed time-honored practices in many industries, and now promise to alter the selling programs of automobile manufacturers.

A highly seasonal industry, the automobile trade has always relied on increased used-car allowances to bolster lagging sales in the dull months, a practice banned by the retail automobile code. However, another way to skin the cat has been found.

The code says that new cars of "obsolete" design may be offered at reduced prices with the consent of the state retail advisory committees and the factory

concerned. Merely by declaring that cars produced after a certain date are new models, manufacturers whose dealers are overstocked have been granted permission to declare substantial discounts on the "discontinued" cars.

In one case, a car maker who had been asking an extra price for a certain feature announced that after a specified date it would become standard equipment. All cars manufactured before then were then technically "obsolete" and could be priced \$100 to \$150 less than formerly.

List prices, in some cases, have been

cut nationally as manufacturers prepared to introduce "new models." On the other hand, some discounts have applied only locally. The general result is that delivered prices on many cars have been thrown into a state of confusion, with no two dealers even in the same city asking the same price for identical cars.

Unless the present tendency is checked, list prices are likely to vary more and more as the year progresses and bait must be held out to buyers to purchase new cars. State advisory committees have thus far approved plans of discounting prices of new "obsolete" cars. In some states the committees have acted promptly and without much attempt at close supervision; in other states regulations imposed have been rigid in an effort to prevent too much winking at rules.

### Manufacturers Wonder—

Manufacturers are not too happy about these recent developments. At the same time, they realize that excessive used car allowances just now probably would ruin hundreds of dealers, impair retail outlets. Many dealers look upon the new method of liquidating stocks as the way which should have been followed years ago. It is much better, they say, to be open and above-board by cutting list prices, rather than accomplishing the same purpose by the roundabout and pernicious scheme of giving the customer an exorbitant allowance for his old car.

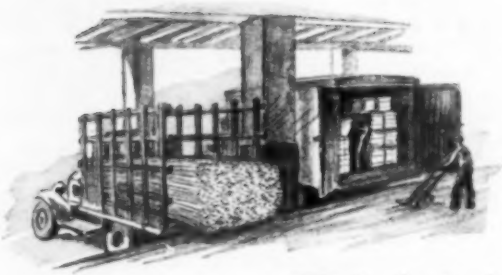
While car makers are trying to work out plans for liquidating stocks in an orderly manner, they are confronted by a strong request from dealers that they openly support the retail code. Ever since this code became effective, manufacturers have remained visibly neutral, urging their dealers, when cornered, to stand by the code. The urging has been in a rather faint voice, according to some dealers who would like to see factories wield a big stick and cancel contracts with dealers who do not live up to the code. Factory field men, anxious to widen retail sales, haven't always cooperated in the enforcement of the retail code, some dealers say privately.

### Demand Factory Support

The matter came to a head when the Michigan Automotive Trade Association dispatched a petition to all state advisory committees which was addressed to F. W. A. Vesper, president of the National Automobile Dealers Association, demanding that he secure support of manufacturers for the new car price maintenance and used car allowance sections of the retail code. The petition concluded belligerently:

"Failure of any manufacturer of motor vehicles to cooperate with you in our attempt to maintain the fair trade practices of our code will be considered by us as a yardstick of the merchandising principles and attitude of said man-





# QUANTITY ORDERS

## MONTH AFTER MONTH

### in the parts and materials market

Here's what two manufacturers of domestic oil burners buy monthly

#### A LARGE MANUFACTURER

Motors .....	1400
Transformers .....	1400
Switches .....	1400
Electric wire and cable .....	42 miles
Seamless brass pipe.....	1500 ft.
Copper tubing .....	24,000 ft.
Small pipe fittings.....	30,000

#### A SMALL MANUFACTURER

Motors .....	250
Switches .....	250
Die castings .....	1 ton
Brass .....	1 ton
Gear pumps .....	250
Copper tubing .....	2500 ft.
Bolts and screws.....	83,000
Lock washers and lock nuts.....	85,000

60,000 oil burners were made and sold in 1933 . . . . \$25,000,000 worth. 60,000 were also sold in 1932. The all-time sales peak was 91,200 in 1929.

The oil-burner industry is *active*. So far in 1934, shipments of oil burners are running about 25 per cent ahead of 1933, which would bring the year's production up to 75,000 (to this must be added the oil burners made for commercial and industrial installations).

\* \* \* \* \*

The companies illustrated above are just two of the thousands of manufacturers that you

can reach through *Product Engineering* advertisements.

It is the *engineering* executives who specify the makes of parts and materials for the product.

The 7800 *paid* subscribers to *Product Engineering* are the engineering executives and designing engineers of companies that manufacture all types of machinery, household appliances, transportation equipment, and other "engineered" metal products.

This is the key paper for advertising parts, materials and finishes.

# PRODUCT ENGINEERING

330 West 42nd Street, New York

(Member A.B.C. and A.B.P.)

factor toward legitimate business and their dealers."

The dealer code is at its critical stage. If it survives the next 3 or 4 months until 1935 models begin to roll off the lines at Detroit, it probably is here to stay. A certain fringe of dealers has chiseled in one form or another during the entire life of the code, but never openly. This is to be expected in a group of over 37,000, and complete compliance would be a miracle. Dealers are convinced that whether "a satisfactory degree of compliance" is attained depends on how far factories will go in

cooperating with dealer administrative agencies in enforcement.

Manufacturers can't grow enthusiastic about "enforcing" the retail code. They see legal difficulties in trying to make recalcitrant dealers do what they don't want to do. And if those dealers happen to sell a considerable number of cars, they can't see the sense in kicking them into their competitor's bailiwick, especially when good dealers are so hard to get. Furthermore, the manufacturers aren't sure what their future attitude should be toward their own code and codes in general.

## FERA Factories

**Relief administration puts jobless at work making goods for their own use in factories otherwise idle. Business men wonder how far this may go.**

ONE way to relieve unemployment is to put the jobless at work making the things they and their companions need. In Massachusetts, Ohio, Texas, and other Southern states the Federal Emergency Relief Administration is doing this on a considerable scale.

Private business men are worrying a little bit, not that the manufacture of food, clothing, furniture, bedding, and other furnishing for the needy offers significant competition as yet with firms that used to sell to relief agencies, but because of the uncomfortable thought that government manufacture might be expanded widely and might become permanent. In principle, the setup is parallel to prison manufacturing.

Redeeming features, however, are that no goods are sold, and the system is said to cut in half the cost of relief, reducing the bill which business has to pay through taxes. A byproduct is that relief factories keep people in training, or train new hands, ready for re-absorption by private industry.

In the self-help industry program, the federal government will neither build factories nor operate them, but funds will be furnished to the states for rentals, equipment, and such raw materials as are not distributed by the Federal Surplus Relief Corp. or available locally for the asking. Many closed or abandoned structures are available. The initiative in developing production programs is left with the states which may elect to continue cash relief if they prefer.

In Ohio, the Cuyahoga County Relief Committee has organized the non-profit Ohio Surplus Relief Corp. financed by FERA. Starting on an experimental basis, 500 persons now on relief rolls will be employed in 10 or 12 scattered factories. Each factory will be leased

to manufacture goods generally made in the locality, in order to take advantage of local equipment and skills.

In Cleveland, the plants will manufacture knitted wear, men's clothing, and furniture; in Toledo, women's washable garments; in East Liverpool, pottery. These products will be exchanged among the various cities for distribution to the needy. Engineers are surveying the facilities available in idle factories, whose owners are hard hit for taxes and maintenance, and developing plans for utilizing them.

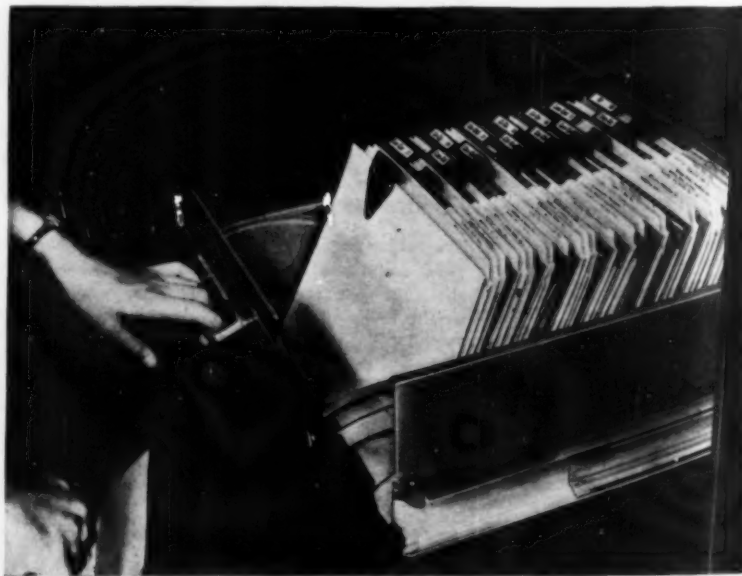
Distribution presents the most diffi-

cult problem. Involved is the question whether workers should be required to take part of their wages in goods. Cleveland relief officials are not sure that the factory plan is a way out from under the city's \$20 million relief burden, but they are ready to try it.

Massachusetts relief officials are planning to open two idle underwear factories. Other proposals submitted to FERA include the manufacture of shoes and clothing. In Texas, 19 beef-canning plants have been operating. Georgia relief officials have inspected the Texas operations preparatory to setting up 15 or 20 plants in their state. Numerous vegetable canning plants operate seasonally in many states. Loans have been made to individuals for setting up small plants for this purpose; in Alabama 800, but combined output is not large.

The lumber code authority has felt it necessary to protest against the establishment by FERA of sawmills in Arkansas and other states. This is regarded by the code authority as direct governmental competition with an industry that is struggling under great handicaps in its attempt to maintain the largest possible employment of sawmill workers.

The self-help corporation form of operation may be applied either to urban or rural relief needs or combined, as in the case of the District of Columbia Rehabilitation Corp. Immediate plans contemplate opening a canning plant, commissary, and sewing room. The corporation will feel its way into other enterprises as experience warrants. Workers will be paid in scrip.



**FASTER FILING**—By simply hinging the drawer front, the new Super-Filer eliminates "working space," gets more material in the files, cuts first cost, filing time, and floor space. General Fireproofing developed the idea, claims a saving in operating cost of 25%, in floor space of 18% because file drawers hold 10% more, yet contents are more easily accessible.

## New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

GENERAL FIREPROOFING CO. announces the Super-Filer which has greater capacity in the standard space, saves floor space, file space, and clerk time. (See picture, this issue.)

HILLS BROTHERS will sell their Dromedary dates in new packages this year and at the lowest prices in 18 years. New, larger sizes have been added to the line, which, with the lowered prices, should increase sales. On the new packages, the entire top layer is visible to the purchaser; the transparent top was especially developed to withstand pasteurization.

PACKAGED oil has been a great success. Now comes a cartridge lubrication system which extends the principle to the heavier lubricants. Called the Standix gun; expected to make headway especially in the smaller service stations which can't afford the investment in specialized greasing tools.

GOODRICH has a new low pressure pneumatic for farm tractors with a heavy circumferential tread to stop slipping on side hills. Another new Goodrich product is a complete line of rubber-tired industrial wheels, called Vulc-On because the tire is vulcanized right on the wheel so it can't stretch or roll off.

UNION BAG & PAPER has developed a coffee shipping container made of double-ply kraft paper which holds 12 or 24 one-pound bags, promises shipping safety at lower cost.

EXIDE storage batteries now come with separators made of a new material, Mipor, a kind of vulcanized rubber in sheets permeated with countless microscopic passages for free diffusion of the electrolyte. The new separators are not affected by the electrolyte, by heat, or vibration. Exide says they last indefinitely, function as an insulator, yet do not obstruct the flow of the electrolyte; for users, this means longer life, greater economy.

NU-HESIVE is a cotton gauze bandage, impregnated with a sterile substance which makes it stick only to itself and hold without fastening. It does not adhere to the skin or to the wound, is not affected by alcohol or water.

SMOKE KING cigars now come with holder attached, made of Bakelite, equipped with an absorbent filter for a cooler smoke. The cigar can be smoked to the last  $\frac{1}{2}$  inch, too.

# THE RAILS MAY END - but ERIE GOES ON TO YOUR DOOR



● The end of the rails no longer represents the end of Erie service

on L. C. L. freight. For Erie trucks now take up the job where Erie trains leave off. The collection and delivery by truck combined with the speed and reliability of rail haul gives you faster and better shipping all the way from your loading platform to your customer's receiving room. You only have to make one call and a single agency now takes over the complete responsibility of your L. C. L. freight. ● Erie's door-to-door collection and delivery service is just one of many reasons why more and more shippers and receivers are specifying Erie. Erie's complete facilities cut the costs and speed the handling and hauling of all types of freight. Your Erie representative can give you specific information.



THE HEAVY DUTY RAILROAD



# Loans to Industry

## Federal Reserve and RFC, with separate aims, separate rules, cooperate to supply business with funds.

THE Federal Reserve banks and the RFC both realize that if direct loans to industry are to be really effective they must be made promptly. They also realize the difficult task that lies ahead in quickly apportioning the sums earmarked by Congress for this purpose. Applications are streaming in to the banks and the regional agencies and are being sorted rapidly. Likely applications are marked for investigation and an attempt is being made to keep the investigation period as short as possible. To meet this problem better, the two agencies are working closely together, despite the fact that each has a different aim, each a different approach.

### Two Points of View

The Federal Reserve banks look upon the loans as a banking operation. Their aim is to keep established businesses going efficiently. And to do this they want to make a loan exactly on the same basis as a commercial bank would make it except for the length of time. It must be a good loan, amply secured; it must be for working capital rather than for capital improvements.

To the RFC the problem is one of recovery. It is now analyzing the large number of applications received to determine the type of loan that will yield the maximum results. It may be that to provide employment on a large scale by winter, many big advances must be made. The RFC may not loan more than \$500,000 to a single applicant, but by participating to that extent in loans to which the Federal Reserve and private banks may be parties, it will be possible to make large single loans resulting in the employment of a sizeable number of workers.

On the other hand, it may be found that a better recovery job will result from a large number of small loans and many of this class will doubtless be made. It is already apparent, however, that no loan can be made without time-consuming investigation and that less time will be required for one large loan than a number of small ones.

### RFC Applications Coming In

RFC applications, longer and more comprehensive than those of FRB, are already flowing to Washington. Official reports, admittedly incomplete, state that 4150 people had requested application blanks, and 135 actual applications had been filed, up to July 18. These applications appear to be well diversified both industrially and geographically. Most are for small loans and some, due to a misunderstanding of the law, will be ineligible. A few that

run to \$400,000 and \$500,000 have been submitted in more finished form.

Among the types of loans considered ineligible under the law are those involving refinancing or capital expenditures. A rule of reason will operate here so that an otherwise good loan will not be absolutely barred if a small portion is so used. But it must be entirely incidental, and essential to the purpose of providing working capital. Insolvent concerns or those that are of doubtful solvency will be excluded. This is not generally understood.

Concerns that have been granted mortgage loans under the old RFC act will be among the first to receive money under the direct loans act. Wherever the companies will be better served under the new arrangement, and this is true in many cases, the RFC is encouraging conversions; 45 loans of this type totaling \$4,200,000 have already been authorized.

Direct loans seem to have worked Chairman Jesse Jones of the RFC around to the theory of fire department methods to fight the depression. "The idea," he said, "is to do it as fast as we can. We don't care if we make a few mistakes."

## Codes at Work

### Incidents and problems that arise in the activities of the codified industries.

LUMBER has been exempted from the President's order of June 29 allowing 15% price cuts to government agencies. The official explanation is that the lumber industry only sets minimum prices for cost protection, which even now returns less than the actual costs of production. Now other industries, no better situated when it comes to getting their cost back, but worse off because they don't use the "natural resources" slogan, are wondering whether it might pay them to advertise that their prices too are "minimum" but that they are willing to take more from anyone who is inclined to pay more.

FOR 45 years, the St. Louis Chamber of Commerce and the Merchants Transportation Association have paid railroad fares for buyers who visited the St. Louis wholesale market. Principal reason: to keep them from going to Chicago. The wholesale druggists' code prohibits the practice as involving unfair competition. The Division Administrator stood by the code, and con-

structively-thinking wholesalers remark that right there one more trade abuse is passing out, thanks to NRA.

GARAGE owners, parking space operators, and automobile repairmen, up in arms as a result of the suspension of the garage and parking code by the NRA and refusal of Washington to grant a code to the automotive maintenance trade, are to assemble in Chicago Sept. 11-14 for a national conference and effort to obtain NRA recognition of these two major service trades. The force of 900 state and local garage and maintenance associations is to be assembled by organizations representing 20,000 storage garage and parking operators and 60,000 maintenance service shops. If NRA stands pat on its hands-off-the-service-trades policy, state or territorial codes may be sought.

AFTER numerous false reports of imminent approval of the master grocery code (BW—Mar24'34), no less an authority than Division Administrator Armin W. Riley announces that "substantial" agreement between NRA and sponsors of the code has been reached, and that "it is expected" that the code will be made effective at an early date. Leaders of the industry are hopeful, but keep their fingers crossed.

THE cast iron soil pipe industry, already distinguished in that it obtained the NRA code which limits productive activity to the lowest point on record—27 hours per week (#19:BW—Sep23'34)—has declared that an emergency through destructive price-cutting exists, and the Administrator has approved minimum prices ranging from \$27.50 per ton upward (f.o.b. Birmingham). That procedure is likely to become popular in the majority of those industries that expanded excessively during the boom years.

REASSURANCE for the industries already under codes is buried in a recent NRA office order (July 16) which recites an "application of general policy" regarding changes in codes. These are to be made in approved and pending codes only if (1) provisions under observation seem to cause difficulties, (2) the industry desires the change or "when ever the occasion is appropriate," and (3) whenever NRA's observation shows that a provision is "troublesome administratively or is not operating in harmony with the provisions of the Act," although they must first be taken up with representatives of the industry and the provisions "stayed unless satisfactory modification can be effected with reasonable promptness." All of which is interpreted at NRA to mean that there will be no blanket orders changing provisions in all codes.

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## Wide Reading

**KEEPING THE FARMER OUT OF THE POOR-HOUSE.** R. L. Duffus. *Today*, July 14. The AAA, in its first 14 months, has not built a farmers' paradise, but it has staved off disaster.

**LABOR'S BATTLE FOR POWER.** *New Republic*, July 18. Workers are tired of the government's vacillating policies as far as labor is concerned. Behind the strikes in Milwaukee, San Francisco, and Portland are more than the trite old "union" demands.

**LABOR'S FIGHT FOR POWER.** George E. Sokolsky. *Atlantic*, August. What place shall the American Federation of Labor have in the new setup for workers in this country?

**A WAY OUT.** T. K. QUINN. *Electrical Merchandising*, July. Monthly household incomes of \$150, \$125, \$100, or \$75 do not permit the purchase of anything requiring payments of as much as \$10 a month. A lesson in post-depression instalment selling.

**HEATING, COOLING AND AIR CONDITIONING.** *American Architect*, July. Characteristics of available equipment, table of summer and winter climatic conditions in all states, how to estimate equipment loads, and a set of time-saver work sheets for the conditioning engineer.

**IS BRITAIN RECOVERING?** Bruce Bliven. *New Republic*, July 11. Yes, but in a quite different way than the United States. Outstanding differences—with some especially good points in the British system which might well be adopted in the United States.

**VAST OIL RESERVES IN SOUTH AMERICA AWAIT EXPLOITATION.** M. A. Spellacy. *National Petroleum News*, July 4. What companies work oil lands in South America, how much they produce, what their potentialities are. Predominance of oil production is passing from North to South America.

**THE BRITISH GRID.** *Electrical World*, July 21. Britain's national hookup of power stations is now completed and the Central Electricity Board is ready to engage in general trading throughout the country next year.

**PRICE TRENDS UNDER THE NRA WITH SPECIAL REFERENCE TO CONSUMER GOODS.** Paul H. Nystrom. *American Marketing Journal*, July. "The attempt on the part of private business through the codes to secure and assure themselves not only of the return of all of their expenses, but also of a net profit as well, goes far beyond safe bounds of social policy." Thoughtful discussion of good and bad points in NRA marketing policies.

**BEST SELLERS.** *Publishers' Weekly*, July 21. List of best selling books in year, July 1933-June 1934, with fiction list headed by "Anthony Adverse" and non-fiction by "Life Begins at Forty."

### REPORTS—SURVEYS

**RECENT CHANGES IN PRODUCTION.** Charles A. Bliss. National Bureau of Economic Research, Bulletin for June 28, 25c. Study of changes in volume of production in various lines, of labor productivity, and changes in output in 80 production series of specific commodities.



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## DIRECT EFFECTS

In our Audit of the New Deal, we have discussed the effects of Administration efforts on the monetary situation, on the farmers, on banking and finance.

Next week, we analyze the direct effects on business, with particular attention to the NRA codes. Our statisticians have prepared some interesting charts to show how the ideas are working out.

In future weeks, other high points of the Washington program will be appraised, factually, to provide the unbiased information intelligent business men want.

## BUSINESS WEEK



## BUSINESS AS USUAL for 700 years

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Transit Journal

# Germany Since the "Purging"

**Faced with a crop shortage, Hitler places a maximum price on grains, commandeers part of the harvest, jeopardizes his stand with the farmers to help urban workers.**

BERLIN—Not since Hitler's cleanup of the domestic political situation June 30 have German newspapers carried any mention of the country's isolated position. Only those who read the foreign newspapers, still sold freely in Berlin, realize how complete the isolation is now that even England and Italy have given their approval and support to the French policy of "pact encirclement."

With domestic policies, the situation is quite different. There have been drastic changes felt by all Germans. The most serious is the grain control decreed by the government because of the crisis caused by the drought. Only the Soviets have moved more drastically to cope with the internal food crisis. German farmers are alarmed. The effects on the Nazis can be serious.

Recent developments are a complete turnabout from Hitler policies in the first year and a half of his régime. Then, the farmers were the "spoiled children," helped on every side by a governmental policy of making the country self-sufficient in food supply. It was the urban consumer who was forced to make serious sacrifices in the form of restricted fat consumption and increased grain prices. Artificially boosted farm prices on the one hand and tax and interest reductions on the other increased farm purchasing power in the last crop year 750 million marks.

## The Drought, Again

The new government decree regulating the marketing of the 1934 crop is a significant break in this policy. Conditions have been sharply altered by the severe drought. Last year, a bumper grain crop made it necessary to decree minimum prices for rye and wheat. This year's crop, according to preliminary official estimates, is 23% short of last year's. Private experts believe the deficiency may climb to 30%. Left alone, prices would soar. Higher prices for bread and other food would upset the price and wage structure which the government has been so anxious to maintain at its present level.

Immediately after the June upheaval, Chancellor Hitler and his advisers had to make one of the most difficult decisions in regard to their future economic policy. They had a choice of alienating the working population and their urban followers by higher food prices, or of dismaying their farm bodyguard by dictatorial imposition of maximum prices on grain and other crops.

The die has been cast in favor of the

latter course. Maximum prices have been set for the 1934 crop. They range only 3% to 5% above last year's prices, despite the shortage. The 750 million mark increase in buying power is gone (and probably a lot more). Farmers realize, to their amazement, that the "liberation of agriculture from the tyranny of a free price" works in both directions. This time they are caught in the unhappy end of the bargain. They can make no outcry, but their resentment is deep and will have political repercussions.

Not only has the government imposed maximum prices on grains for the entire year, slightly increasing the rate scale from month to month and differentiating between 15 "rye price districts" and 16 "wheat price districts," but, with a view to forestalling a possible delivery strike on the part of the farmers, the government has ordered that they surrender, before the end of September, 30% of the quantity sold during the entire crop year of 1933-34 (with its larger crop).

In order that not even the small price increase of grain allowed by the new decree should be passed on to the consumer in the shape of higher bread prices, flour mills have been ordered to increase the percentage of extraction for rye (the lower classes eat rye bread almost exclusively) from 69 to 75. This, it is expected, will increase the output of flour by some 400,000 tons and compensate millers for higher grain prices they have to pay. Consumers will have to be content with bread of inferior quality. On the other hand, the reduced output of bran will make the shortage of fodder still more acute than it already is.

Germany is face to face with a first class crisis. There is no way yet of predicting next moves. But the radical shift in Hitler's domestic policies probably precedes other drastic changes.

## Travel Pickup

**More people are traveling; increasing demand for better accommodations; national parks draw large crowds.**

THE travel business is on the up and up. After 5 years of curtailed vacations, purse strings are loosening. Mountain scenery, ocean breezes, and romantic glimpses of foreign cities in full

page advertisements have done their business. People are traveling.

Not in 5 years have so many Americans rushed to see their own national parks. Glacier Park officials report a 100% gain in visitors this year over last, and the average for all of the big national parks is up 50%.

It's a boon to the railroads, though they had their share in starting the movement by offering all kinds of travel novelties and fare reductions. Twelve railroads report from 10% to 20% heavier traffic this year. For 5 of them, traffic was up between 20% and 25%. Two large resort lines have been carrying 37% more persons this year than last.

## Chicago a Factor

Chicago's Century of Progress is another large drawing card. Some tours focus on the Fair; others offer it along with scenic spots in the Great Lakes basin.

Cruise business is thriving. There are three features. The short cruise (less than two weeks) is tremendously popular. Canada, Alaska, Mexico, and the West Indies are probably attracting the largest numbers, with Bermuda and Nassau holding a good deal of their winter popularity. Bermuda boats carried 49% more passengers in the first half of this year than a year ago.

On the longer cruises, and on regular bookings to Europe, there is a marked pickup in demand for better class accommodations. The American Express Co. says that nearly every line catering to ocean-bound travel in June reported a "sell-out" for first class facilities, while there was a distinct loss in third class bookings.

## Russia Attracts Tourists

The third feature was the spectacular jump in popularity of certain cruise destinations. Russian and Baltic cruises attracted more than twice as many travelers this year, with 20 vessels scheduled in the service compared with only 16 last year. Sailings to Spain jumped from 3 to 13, with the Mediterranean as a whole attracting more tourists than in any of the last 4 years. Liners sailing to the east coast of Mexico are practically sold out during the entire month of August, with the Ward Line refusing to guarantee hotel accommodations in Mexico City to those trying to book late. Travel to the Far East, despite the distance involved, is up 60%.

Real novelty of the season is the arrival in the United States of "dollar" tourists from Europe. With the dollar depreciated against several foreign currencies, several European and American travel agencies have offered bargain tours. Groups from five countries have been arriving during June and July, have pushed the total of incoming tourists 22% above last year's level.

# Business Abroad

**Business has largely discounted Austrian upset. German business makes small gains; in Britain, recovery has halted; in France, activity is declining. London removes loan ban for selected few.**

## Europe

EUROPEAN NEWS BUREAU (Wireless)—Business had pretty well discounted the upset in Austria. Nevertheless, as an indication of the extremely precarious situation in Central Europe, the week's developments renewed the pessimistic outlook which is becoming more general. The assassination of Dollfuss nullifies the attempt which Mussolini has made to save the situation through economic support from Italy.

Europe is more than ever aware that the complete chaos which may yet develop in Austria and which most observers expect in Germany should the Hitler government fall without a strong successor having first gotten a foothold can easily lead to a communistic régime in both countries. London's discussion of financial aid to Germany (though admittedly only if Germany promises to use the bulk of it for the purchase of British or Empire goods) is taken as a forerunner of international financial relief on a large scale if the country threatens to go to pieces as in 1919.

To prevent the spread of disorder in Austria, Italy, France, and the Little Entente are prepared to intervene. The Nazi coup was a failure, but it remains to be seen whether the situation now created will be allowed by Europe to become another Sarajevo.

Outside of Germany and Austria, Europe has been most concerned this week with the evident failure of deflation policies in most of the countries in the gold bloc. There are few who would be surprised if another wave of devaluation spread over Europe by fall, sweeping the mark and the remaining gold currencies before it.

## Germany

**Politics still in state of flux. Crisis in foreign trade partially counterbalanced by slow gain in domestic activity through aid of government projects.**

BERLIN (Wireless)—Germany remains in a state of flux since the "clean-up" of June 30. It is not yet possible to appraise the feelings and the attitude of the man in the street toward recent events. Outwardly it seems that Hitler's personal prestige has been rather enhanced, especially among the younger generation. They admire his personal courage and the boldness of his action. There is with them little of the opposition to the drastic methods that most foreigners feel. "Legality" is an empty

word to these young people. But the older generation is more skeptical. If eventually it swings definitely to the opposition, the government will not have an easy time.

There is little doubt that the army (though only morally present) and the regular police saved the situation on June 30. The storm troops of the Nazis have suffered a shock from which they will probably never recover. The spell of infallibility has been shattered. Government leaders will be forced to rely to a much greater extent than ever before on the army which, in its influence, is essentially moderate and conservative.

If political conditions are still in a state of flux, there is no question that the country faces an economic crisis. One of the government's first moves following the "purging" was to announce almost complete control over crop prices (page 28). This week the powers of the Minister of Economics to control completely the imports of raw materials were extended to finished goods, indicating that Germany probably faces a winter of absolute rationing of consumption materials. Germany's import trade is approaching the monopoly system

practiced by the Soviets. With this control, Berlin expects to be able to bargain for larger exports.

Since Chancellor Hitler removed Philipp Kessler as the "Leader of Business" (BW—Jul 14/34) and gave Dr. Schmitt, Minister of Economics, almost complete control over the government's economic policy, there has been a good deal of speculation over changes which might be made in major policies. Schmitt is known to be a thorough-going executive who commands a good deal of respect among industrial leaders. He has been opposed to Germany's bland indifference to foreign reactions because he knew what it would do ultimately to the country's export business. He is in opposition to the monetary policies of Dr. Schacht largely because they ignore the country's foreign financial relations. He is far more conservative than most of the economic advisors who have had so much to say in forming the government's policies in the last year. By increasing his powers, Hitler has roused new hopes among industrialists and exporters that broader consideration is going to be given to future foreign trade.

### Hitler Bows to Business

Schmitt's increasing importance also gives rise this week to new rumors of mark devaluation. Business gossip says that Schacht is still dead against any such move because of a fear of public reaction (the public still remembers vividly the inflation bogey of 10 years ago). Schmitt is naturally less concerned about money policy and more about industrial exports. They would no doubt be aided by devaluation. The move



**GERMAN SUPER-HIGHWAY**—One of Hitler's big public works projects, being undertaken in his drive against unemployment, is a new express motor highway from Frankfurt to Basel, roughly 200 miles. Manual labor is used wherever possible.



is not expected immediately, but it might come by September.

Domestic production and consumption is still maintained. Retail sales for the first five months of the year are 5% above the same period a year ago. However black the outlook for export industries, the government's subsidy plan is expanding domestic consumption sufficiently to cause a steady rise in share prices.

## France

**Business activity continues to decline. Rentes weakened during government crisis.**

PARIS (Wireless)—France passed a cabinet crisis this week which for a time threatened to swamp the National government. The break was successfully averted by genial Premier Doumergue and the present government is likely to stand now, under a renewed pledge to observe the party truce, until this fall. Public confidence, however, is further weakened. This governmental weakness, on top of the deteriorating economic position of the country, leaves France in an unenviable situation at a time of international crisis.

The entire business picture reflects the public's attitude. Francs are weak. Business is inactive, and declining. Prices are down but scarcely enough to relieve appreciably the government's financial problems. Public reaction to even the mild deflation which the government has attempted is increasingly hostile. Rentes are down, and the Treasury's bond issue is not meeting with the success at first predicted.

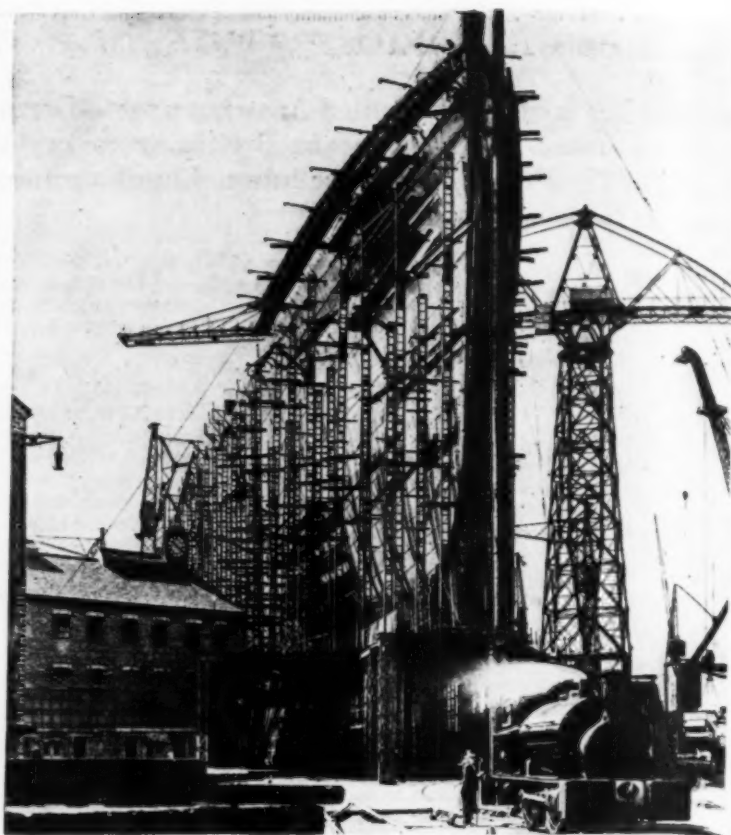
### Depression Hits France

The country's unenviable economic position is reflected in the July bulletin of the French Statistical Bureau. The trend of industrial production is down in most lines. Indices, on a 1913 base, are given through May (latest available data):

	May 1933	April 1934	May 1934
General Index	109	103	101
Mechanical Industries	111	100	99
Metallurgy	89	79	80
Textiles	71	69	66
Mines	98	103	103
Construction	92	87	84
Paper	139	154	158
Automobiles	490	460	456

Unemployment further traces the downward trend. The country's index, based on a 1926 average, dropped to a low of 95 in July, 1929, jumped to a high of 205 in October, 1932, fell to 195 in October, 1933, and stood at 206 in June.

With both the British and German markets closed to French exports of woolen goods, the French woolen industry faces a crisis. In the Roubaix-Tourcoing district, center of the French woolen industry, 15,000 workers have been thrown out of work due to the accumulation of woolen stocks which amount now to 22 million kilos of



**BRITAIN'S BIGGEST**—Work speeds ahead on the 73,000-ton Cunarder No. 534, at Clydebank, Sootland. Much larger than any vessel now afloat, it will vie with France's *Normandie* (nearing completion at Havre) for supremacy on the Atlantic.

combed wool, against normal stocks of 10 million kilos. Wool manufacturers have appealed to the Minister of Commerce not to sign the new trade agreement with Germany unless it permits a renewal of wool exports to Germany.

## Great Britain

**London lifts ban on new issues for "certain applicants." Continental currency devaluations expected. Housing program awaits private initiative.**

LONDON (Cable)—No anxiety has yet developed among British executives over the business outlook, but activity is distinctly slower and uncertainty is spreading. A part of it is due to the falling off of foreign trade, part to the growing number of rumors that Holland and Switzerland are going to be forced soon to abandon the gold standard, and part to the reactions from Germany's economic crisis. The June decline in the number of men employed in Britain was no small shock to financial London.

The government's decision, announced this week, to raise the ban on foreign borrowing in the London market to a selected group of applicants came as no surprise (BW—Jun 16 '34). The embargo is not removed. But applications

from countries within the sterling bloc to float a sterling loan where the assets are needed to minimize exchange fluctuations "will be considered," along with those from borrowers who wish a loan in order to finance purchases largely from Britain or the Empire.

London reads two interpretations into the move: the government evidently has no intention of stabilizing sterling in the immediate future, and, meanwhile, intends to weld the sterling convoy as far as possible into a self-contained unit. There are those shrewd persons also who see in it a bargaining weapon when London begins trade negotiations with members of the gold bloc and others outside the sterling group.

The new rumors of devaluation among certain members of the gold bloc simply pushes into the foreground something long expected. Holland and Switzerland are mentioned as likely to force the move, but in most of the other countries, attempts at deflation have failed to bring adequate financial relief and have caused serious public reactions. New evidence that Germany cannot much longer avoid mark devaluation strengthens the belief that another wave of devaluation is not far off.

For nearly a year, various groups in London have been preaching a campaign to build "decent houses for all citizens of this country." Various cities have started their own slum clearance schemes

as public works projects. Recently the House of Lords has been pressing the government to undertake to build a million houses for the working classes, rentals to begin at \$2 a week. Private enterprise would be encouraged as far as possible, but public funds would be used to get the campaign started and to keep it going. The feeling in London now, however, is that the plan is not likely to receive government backing. Recent business recovery is expected to stimulate private funds to undertake such projects in various centers. If the present slowdown of business should prove to be more than seasonal, agitation may be renewed.

Airplane stocks continued to rise following the government's announcement of the expansion of the military air service, though the announcement had been anticipated for several months and prices had largely discounted the move. Pacifists declare the move is a betrayal of Britain's stand at the Disarmament Conference, but the Right Wing and the City declare the program inadequate.

## Canada

**Index of recovery touches new high. Renewed public sale of beer and wine in Ontario boosts construction industry. Montreal mayor proposes 5-year plan.**

OTTAWA—Canada's economic recovery is continuing at an encouraging rate. The economic index of the Dominion Bureau of Statistics moved into a new high position during the week ended July 24. Based on 6 major factors, expressed as a percentage of the weekly average for 1926, the index stood at 96.2, compared with 95.3 for the previous week, and with 84.4 for the first week of the present year. The business index averaged 93.3 in the first 6 months of 1934, compared with 72.0 for the same period last year. Manufacturing returns are not complete but preliminary calculations show a recession in the production index from May's high of 100.2, though the decline was hardly more than seasonal.

### Demand for Power

The Ontario Hydro Electric Power Commission reports that at the end of 1933 demands for current were 40% greater than a year earlier, though load losses of earlier years of the depression had not yet been entirely recovered.

Considerable work for the construction trades in Ontario is provided by the province's return to the public sale of beer and wine. Under regulations just issued, sale is limited for the present to hotels and clubs. Dry for 17 years, Ontario's thousands of hotels are hurriedly equipping beverage rooms, and club premises are being reconstructed.

The trend of legislation and of public thinking in Canada of late has been considerably more socialistic than for many years. Public reactions to the revelations of the Stevens committee which has been investigating what Canadians are beginning to call "racketeering" in

mass buying are typical of the new feeling of social responsibility. Along this same line is the five-year plan for the social and economic reconstruction of Canada which is being submitted to provincial and federal leaders by Camilien Houde, Montreal's energetic French-Canadian mayor. When the Dominion-Provincial conference meets in Ottawa on July 30, the country's leaders are likely to hear about the plan, the 6 points of which are:

(1) A nationwide back-to-the-land movement;

(2) National old age pensions;

(3) An industrial building program, with 50% of the wage bill paid by the state from a new 5% tax on all incomes over \$1200 a year;

(4) Legislation to promote the gradual reestablishment of women in the home and men in industrial and commercial employment;

(5) A constitutional amendment fixing maximum hours of work and minimum pay for all in Canada;

(6) Legislation to curb financial buccaneers by which a certain number of directors in every corporation would become civilly and criminally responsible for the acts of their organization.

## Far East

**Manchukuan business retarded by uncertainties. New Chinese tariffs hit American imports.**

BUSINESS in Japan is quiet this week. Both stocks and bonds were steady, only interest being in industrials where foreign trade is not an important factor. The Japanese are becoming wary of their foreign trade prospects because of the growing number of restrictions in the only markets which can be quickly developed. Commodity prices were steady except for silk, which declined further. This is causing further suffering among the agricultural community. The fact that the new government has not yet made any move to call a special session of the Diet to consider farm relief is a cause for worry. The plight of the Japanese farmer has become in the last few months a matter of national concern.

In the northern part of China, floods are causing some damage to crops but hot, dry weather during June and July in the lower Yangtze region has seriously affected the rise, bean, and cotton crop prospects. In other areas, crop prospects continue good. The drought in the lower Yangtze has caused food prices in Shanghai to advance sharply, rice prices having risen 30% in July alone.

Farmers in North Manchukuo report excellent soy bean crops but the curtailment of demand from Germany is causing some worry. Beans are moving to market this year almost exclusively over the new Japanese railways rather than the old Chinese Eastern, over which Russia and Japan are still negotiating. It is the boast of the Japanese that Moscow will be forced

ultimately to accept their price because competing lines will take away all the business. The ultimate cost to Japan is bound to be high if all the new competitive construction involved is considered, but "face will be saved," and that is all-important in the Orient.

Reports from Mukden, capital of old Manchuria, that Manchukuan authorities propose to take over control of strategic industries, such as the automobile and petroleum trade, is giving much concern to firms dealing in those lines. Tobacco-growing and sheep breeding in Manchukuo are being aided by government subsidies, but official efforts to increase the cotton production have been nullified by excessive rains.

China's new tariff rates, with surtaxes on several commodities of interest to American trade, work out at the equivalent of 1.7¢ per pound (U. S. currency) on raw cotton; 38.5% on sawn softwood lumber; 65% to 70% throughout the range of canned fruits and vegetables; fresh oranges, 35%; and automobile tires, 28½%. Local speculation is concerned with the probability of high cotton tariff working as a factor to increase the import of cotton fabrics from countries which import raw cotton duty free, and Chinese cotton mills have produced a high tariff on raw cotton and lowered rates on certain classes of piece goods as inimical to their interests.

## Latin America

**Reciprocal trade discussions under way, with Cuba and Colombia well up the list. Mexico pushes nationalization of resources.**

WITH final negotiations on the Cuba-United States reciprocal trade agreement opening this week, with the Colombian pact fairly well worked out and awaiting acceptance by the Colombian Congress when it assembles in August, and with the Export-Import Bank already created and awaiting only final details before being ready to function, Latin America continues to hold executive attention in the United States.

Those who have been following all negotiations expect no large volume of business to develop at once but the better informed are optimistic over long-term prospects and are making preparations to cultivate these markets.

Mexico took another step this week toward national socialization when gasoline was decreed a "public utility" and subjected to price regulation by the National Economy Department along with another of other commodities including corn, coffee, vegetables, lentils, and medicines. An increase of 1¢ (Mex.) a gallon in the retail price of gasoline dictated by foreign interests which control the industry in Mexico, was supposed to be the reason for the government's move. Mexico has been working toward nationalization of the country's national resources for several years and the policy of the new government is avowedly in this direction.

# Money and the Markets

**Troubles abroad and at home undermine confidence, weaken security markets. Treasury, still flooding banks with money, probes bond market for refinancing possibilities. Chairman Kennedy of SEC reassures investors, bankers, brokers in radio speech.**

## Money and Banking

THE approaching twentieth anniversary of the world war brought ominous rumors from Europe that helped unsettle American financial markets. Political trouble in Austria, the likelihood that Germany would again devalue the mark made a greater degree of liquidity of importance to the institutions here and abroad that have large commitments in central Europe, created an atmosphere of doubt that was hardly bullish. At the same time the bankers were worried by the widening of domestic labor unrest and remained unimpressed by the Administration's continued attempts to obtain an expansion of credit.

Bank reports, appearing this week for the week ended July 18, failed to show much effect of the foreign influences or of the sharp decline in security values, most of which occurred subsequently. Investments of the reporting member banks scored an increase of \$51 millions during that period, largely due to a gain in holdings of other than government securities by banks in the New York district. Taken to reflect purchases of new issues brought out last week, this movement would be de-

cidedly encouraging were it not for the fact that if the market remains depressed the output of new issues will dwindle. Commercial loans continued their decline with the recession of business volume and loans on securities were also contracted.

The statement of the Federal Reserve Banks reveals that the Treasury is still gorging the banks with funds, lifting deposits and reserves. Dipping again into its free gold fund, the Treasury deposited more than \$37 millions of gold certificates with the Reserve Banks and from its augmented balance paid out some \$60 millions which went to increase member bank reserves. Excess reserves, largely due to this operation, were raised to a new high estimated at \$1.9 billions.

Many bankers are expressing the opinion that the Treasury's policy has been carried by now to such an extreme that it is hurting rather than helping recovery. With confidence upset by uncontrollable events in this country and abroad, they feel that this is a disturbing factor that might easily be dispensed with. On the other hand, those who must look to the longer trend are counting on a continuance of the pro-

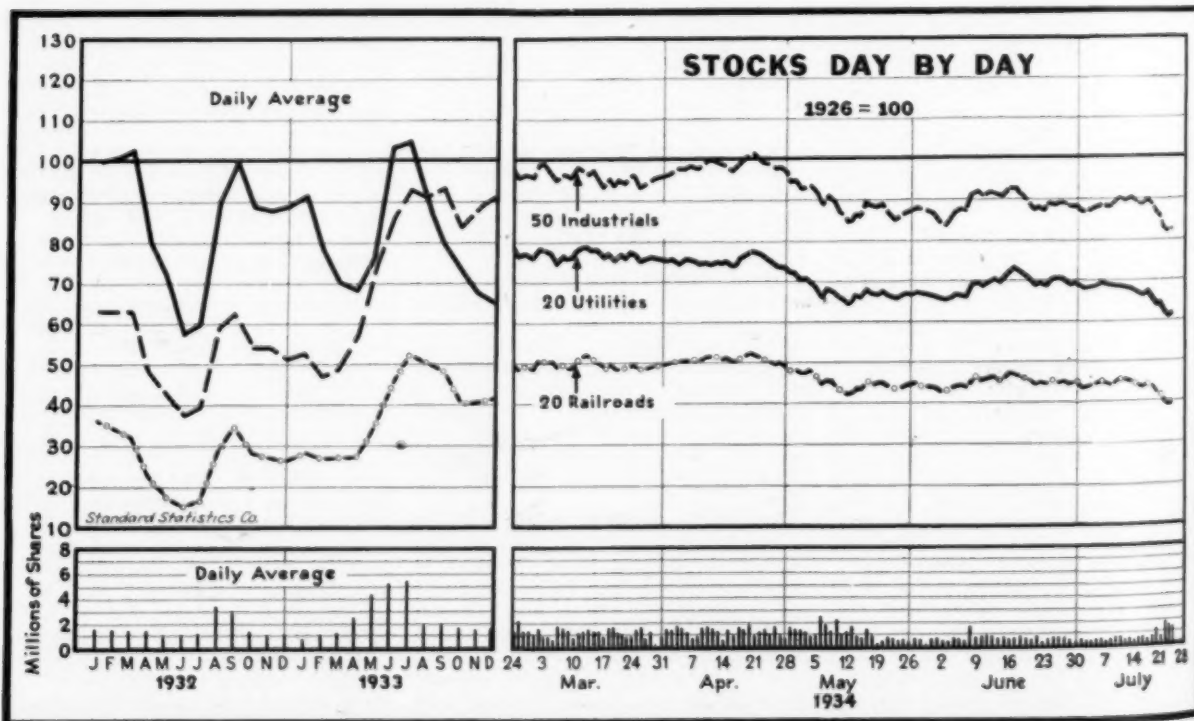
gram to force interest rates still lower, to keep the high-grade bond market moving steadily upward.

Insurance companies, for example, have shaped their plans to provide for a further reduction in income from invested funds. Many of the life companies have cut the discount allowed on premiums paid in advance and are limiting the time by which a payment may be anticipated. Restrictions are also being placed upon the sale of annuities. Annuity business has grown so rapidly in recent months that the companies have found it difficult to obtain new investments with a sufficient yield to cover the sums due under the contracts. They see no reason why present purchasers of annuities should benefit from the higher yields of earlier investments.

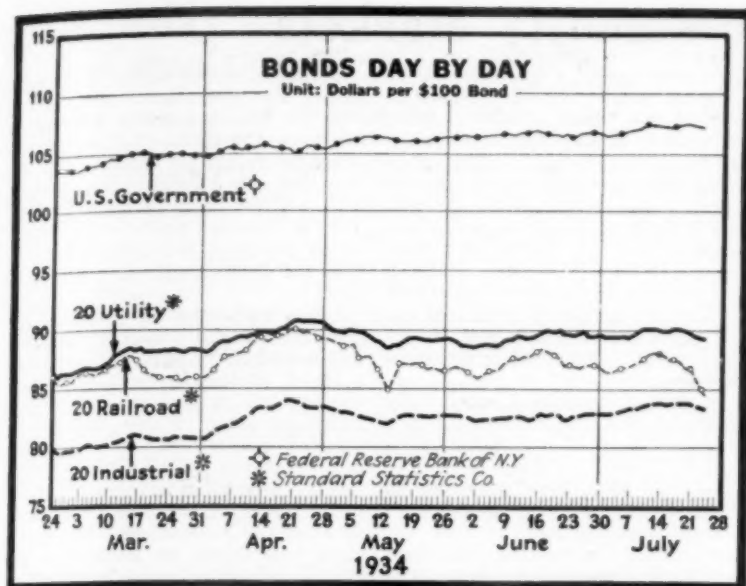
## Bonds

THE bond market, weighted with selling orders, dropped heavily this week, dragging some of the less well secured issues to new lows for the year. Second grade rails and industrials were most affected by the slump; high grade corporation and U. S. government bonds were weakened only slightly. A strong investment demand still exists for these better issues and unless the outlook changes materially the reaction should not interfere with some of the prospective offerings.

The RFC feels that it has thoroughly tested the market for good railroad issues with the Baltimore & Ohio transaction and is planning to sell some of PWA's holdings of rail securities. Despite the lowered interest rate (*Bill*—*Jul 21 '34*), over half the \$50 millions B&O 4½s were disposed of on the first







day. Over 75% have now been taken by investors and the bankers have a further 2-week selling period before the RFC will be called upon to purchase the unsold portion. Linking the success of this sale with the fact that the railroads borrowed but a small amount from the RFC during the past fiscal year and made a greater total of repayments, Chairman Jesse Jones believes that railroad credit has shown a big improvement. It is therefore expected that along with the municipal bonds which RFC will sell for PWA, some \$80 millions of equipment trusts and 4% secured notes will be included. Any sums obtained from these projected sales would go into the PWA revolving fund and become available for new loans.

#### Treasury Experiments

The Treasury, also willing to experiment with the bond market, tried out this week a new policy by offering the securities of a relief agency to the highest bidder. While the Treasury has worked heretofore to centralize government financing in its own hands, it has always offered its own securities and these, with the exception of short-term Treasury bills, for subscription on a fixed basis. In the case of the government-backed issue of \$100 millions Federal Farm Mortgage 3s which it is marketing for the Farm Credit Corp., the department did not have the discretion of setting the rate and it decided to invite tenders. A price of better than 101 is expected for the entire issue.

This feeling out of the market for government securities should be helpful to the Treasury in planning for the large financing expected Sept. 15. On that date there will be a maturity of \$524 millions of 1½% certificates but it is likely that some or all of the \$1.2 billions of called Fourth Liberty 4½s will be provided for at the same time. Beyond this total, lies the possibility that some part of the \$10 billions of short and medium term government

obligations may also be funded. Under these circumstances the prospect is for a 3% issue about as large as the market will take at a single offering.

## Stocks

Stocks steadied in midweek after one of the sharpest breaks that had occurred so far this year. The technical condition of the market was probably as much responsible for the relapse as the state of trade or the difficulties in central Europe. It is also probable that the small recovery was also technical in character, resulting from overselling. But it must have been gratifying to SEC Chairman Kennedy to see recovery come just as he was speaking over a nation-wide hookup, trying to instill confidence into Wall Street and investors.

Asserting that the members of the SEC did not regard themselves as cornerers sitting on the corpse of financial enterprise, nor would they show vindictiveness in their interpretations of the law, Mr. Kennedy tried to calm Wall Street fears further with the flat statement that financial enterprises required profits to keep them going and that there was not the slightest thought of eliminating or restricting proper profits.

#### Assurance for Investors

To the investor, Mr. Kennedy promised protection through the restriction of certain practices that have proven detrimental to their interests and by making available adequate information to the public upon which it could act intelligently. Also while the SEC—or any other body or any government—could not remove the risks of speculation, the government, which was so largely instrumental in making the American people an army of investors, should assure these investors of a free and open market where securities may be bought and sold at the going price

and safeguarded from sharp practices. In fact, throughout the whole speech there was an evident desire to pull up the morale of all those interested in the market for the purpose of adding this force to the recovery drive.

And down in Washington the commission is evidencing the same desire of reassurance in all the moves it has made to date. As technical successor to the Federal Trade Commission, the new commission has taken over the body of decisions and rulings made by the FTC. It is now working to codify and correlate these decisions. The regulations came out in 195 releases—and need it.

Where they are affected by changes in the law they will be revamped. Changes in only two (A-1 and B-1) of the eight forms are in contemplation. But otherwise there will be little hacking of existing regulations. An attempt will be made to handle the business in the accustomed way at least until it will be possible to work out improvements.

## To our 58,000 stockholders

Dividend of 45 cents per share will be paid on no-par common stock August 15, 1934, to stockholders of record 3:00 P. M. August 1, 1934, without closing the transfer books.

J. S. Prescott, Secretary

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by EDMUND JACOBSON, M.D.  
201 pages, 5x7 1/2, illustrated, \$1.50

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## Commodity Markets

COMMODITIES staged a solo advance to a new peak of the year while securities were tumbling. The wholesale price index, at 75.1, is 0.8% higher than the preceding week and 8% over the corresponding week last year. The advance was over a wide front. In the preceding week the farm products group had made an advance, but this week, besides the farm products, there were advances in food, textiles, fuel and light, building materials, chemicals, and miscellaneous. Metals remain unchanged, and housefurnishings, hides and leather are fractionally lower.

June figures contrasted with May show wholesale prices advanced 1.1%; retail prices declined 1%; farm prices advanced 4%, and the farm dollar 3%.

Wheat, at 96 1/2¢, was subjected to breaks during the week, but rallied each time under a buying wave.

Corn, at 63 1/2¢, continues to show firmness. Liquidation, expected because of the maturity on Aug. 1 of corn loans made to farmers, will not injure prices. Drought has checkmated a decline and the maturity has been extended to Sept. 1.

The corn loan program was inaugurated by the AAA last November to provide immediate stimulus to farm purchasing power and to supplement the corn-hog production adjustment program for 1934. Approximately 270 million bushels were placed under seal by the Commodity Credit Corp. out of the 382 million bushels now on farms in the states where the loans were made. The loan value totaled about \$121 millions, out of which \$6 millions had been repaid by July 14. Repayments are reported at the rate of \$1 million a day. The cash price of corn over most of the corn belt has been several cents higher than the original loan rate of 45¢, thus encouraging farmers to discharge their loans and repossess their corn.

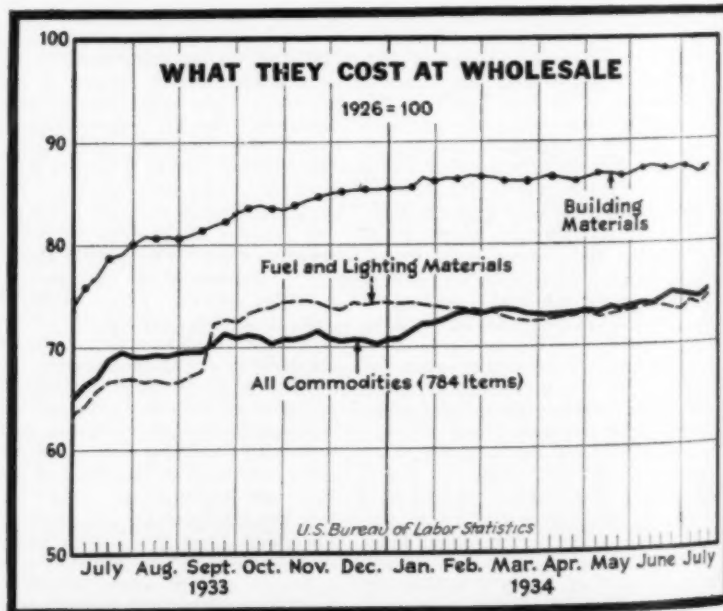
Cotton weakened almost \$2.50 a bale during the week, partly in sympathy with the weaker security markets, and partly as the result of a bearish consumption report for June. June consumption, at 363,000 bales, compares with 697,000 bales in June last year. For the 11-month period ended June 30, cotton consumption is 196,000 bales less than for the corresponding period last year.

Sharp reductions in prices of livestock featured the week, largely the consequence of heavy drought shipment and a strike at the Union Stockyards in Chicago which tied up 70,000 cattle, including some 50,000 starved and parched government cattle purchased from stockmen by the Federal Surplus Relief Corporation and sent to Chicago to be processed and resold for the account of the government. The government was forced to suspend all purchases and orders were broadcast that no more livestock would be received at Chicago until the strike was settled.

### Metals Strong

The metal markets showed strength in a week of quiet trading. Lead sold in good volume, about 5,000 tons, at an advance of 10 points, 3.85 New York. Prices were held back by unsettled news from abroad and uneasiness in the financial district. Copper trading was dull with no important buying. Zinc marked time at 4.30. Silver was off 1/4¢, and was selling at 46 1/2. The stabilizer in the silver market is the government, which is buying when the market recedes and flees from the market when it becomes too buoyant. Tin advanced moderately, supported by London purchases, originating with the tin pool. The market is considered artificial and does not command local confidence.

The entire metal market marked time on the disquieting news from Austria.



## Editorially Speaking—

J. M. (100%) NICHOLS, president of the wholly liquid First National Bank of Englewood (Chicago) still stoutly opposes efforts of the FDIC to make him join the deposit guaranty fund, has fired a letter off to Leo T. Crowley, chairman of the FDIC, in which he asks:

"If you politicians down there in Washington thought you were morally right why has it taken you thirteen months to step on a little fellow out there on a fifty-foot lot? . . . How would you like to have me hang out a sign in our lobby telling some 12,000 depositors that the boys up the Potomac are tossing their deposits up for grabs and that it is my suggestion that they come and get it at once?"

"If we cannot operate a bank as it should be operated the people had better take their money and bury it."

Mr. Nichols' epistolary blast was inspired by reports that the FDIC is considering filing suit to compel his bank to contribute its portion to the fund, thus testing the legality of the deposit guaranty act.

WITH other leading world powers subsidizing their merchant marines, France too is swinging into line, will succor its ailing commercial fleet with 140 million francs annually. It will get the money by increasing customs duties (already high) by a maximum of 4%. Idle French ships have been reduced by only 10% since January, 1933, compared with a reduction of almost 25% in idle world tonnage.

Hot weather the country over this summer has proved a boon to the air-conditioning industry. Those visiting World's Fair air-conditioned houses are coming away "sold" on the idea. In fact, so comfortable are these exhibits that attendants have a steady job keeping them from becoming overcrowded with slow moving visitors.

ONE example of the upsurge in air-conditioning business this year is the Carrier Corp., Newark, N. J., manufacturer, which reports a 98% increase in sales the first half of this year over the same 1933 period. The company carried over into the second half of the year \$1,935,000 of uncompleted contracts, an increase of \$673,000—the first time in 4 years that unfilled orders for the first 6 months have shown an increase.

EVIDENCE of the blessings of the New Deal is an increase of 31¢ in the June wage rate for farm labor to the munificent total of \$27.50 a month. The government says "this was the highest

July 1 wage index since 1931." Even so, it compares with \$99 a month for skilled industrial workers, and \$78.75 for unskilled workers, and they work far fewer hours a week than farm hands. The farm worker has no unions or NRA codes, no compensation or unemployment insurance. But then, his employer, the farmer, can rise and point out that the average farmer's labor income is even less than that of his hired man.

FINANCIAL institutions that invested large amounts in farm mortgages now find themselves unwilling owners of widely scattered farm properties. But, strangely enough, the rehabilitation and management of these farms for their absentee owners has brought forth a new, and paying, industry—"Group Management of Farms." Dirt farmers, after paying themselves a little over \$200 yearly wages, earned nothing in 1933 on their \$28-billion investment. But "management farmers" reported, after all expenses, an income of 3.35% on \$12 millions of Equitable Life Insurance farms in Iowa, while 20 scattered farms in Iowa and Nebraska netted 4.46%, without benefit of AAA. Which should give the Department of Agriculture something to think about.

If bar fixtures of the future reveal a feminine touch, be not amazed—four women were among the prize winners in a nationwide contest conducted by Brunswick-Balke-Collender Co. for new ideas in bar design. And splashes of color will be found in the fixtures as well as the drinks, according to findings of the jury which selected the winners of 117 cash awards for the best designs for three types of bars—de luxe, commercial, and service. Reminiscent of the days of yore is a step, decorative footrest, or other modification of the old rail, which was included in nearly every drawing submitted. Chromium and mirrors, along with color, worked in modernistic patterns, played a prominent role in the contest.

RUMORS in the cotton textile industry that some processors were evading the tax are pretty much deflated by an Internal Revenue announcement that cotton processing tax collections from Aug. 1, 1933, the effective date, to June 30, 1934, close of the fiscal year, exceeded the official estimate by \$16 millions, totalled over \$144 millions. Commissioner Helvering declares the bureau's records show the percentage of delinquency in this branch is not large, that if it were it would have been impossible for the Internal Revenue to exceed by so big an amount the official estimate of collections.

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# BUSINESS WEEK

The Journal of Business News and Interpretation

JULY 28, 1934

## Creeping Disaster

Drought, which seemed at first a localized mishap, and even a left-handed blessing because it would reduce troublesome crop yields, now appears in its true light as a great disaster, and a national problem of the first magnitude. It overshadows in urgency if not in importance the problems of unemployment, crop control, even politics. It may actually create new relief problems greater than those for which AAA was founded.

Moreover, we gradually have come to realize that this is not an isolated thing, to be cured by good rainfall next year, and then forgotten. This year's drought is the culmination of more than 15 years of subnormal precipitation. A 30- or 40-year trend in the decline of ground-water levels tells part of the story. At last, we listen to the scientists who have been saying for a long time that the natural balance of the continent's vegetation could not be upset with impunity. With trees gone and grass lands put under the plow, aridity and wind erosion are inevitable. We must restore ground cover and wind-breaks, we are told, or our central plains will become as the central desert of Asia.

Here is the proper place for planning, and for cooperative action. The most rugged individualist would concede that no one farmer or cattleman was to blame for creating the conditions; no one inhabitant can remedy them. It is a job for government—a job which must be carried on through many administrations to follow this one, with a consistent policy of forestation and land reclamation.

But this is not alone an agricultural problem. The cities are hard hit in a vital spot. Competent engineering investigators report water supply conditions in the drought area almost incredibly bad. At high-water season

this year, some streams on which cities and towns depend were at the usual fall low-water mark. Since then, they have dried up. Various emergency methods have been devised to get a little more water and to utilize it economically. But there is no substitute for adequate water supply, and already Western communities are looking toward the future, with programs that will call for the expenditure of millions as insurance against being caught again short of life's great essential.

Business is bound to suffer from the present situation. The cost of calamity on such a scale is inevitably great. But from calamity, through wise interpretation, we shall learn better to establish a sound, permanent basis for the nation. We shall also learn the limits of "planned economy."

Ultimately, restoration and rebuilding of the agricultural economy of the drought area will be accomplished. A better, safer basis for farming and for stock-raising will be established. As we face the distress of the moment it is reasonable to look beyond the problem in order that we may see the benefits from solution of these present and pressing troubles.

Scientific agriculture, utilizing the skill of modern engineering for water supply and water control, will bring the nation through to the stable future. Though distress may be great, panic has no place in our national consideration of this catastrophe. There will be no famines.

Ultimately we shall plan more and better, thus both preventing recurrence of drought disaster and creating new requirements for men and materials.

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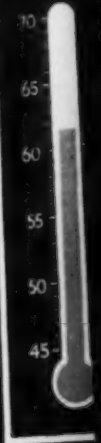
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